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## **China**

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**FBIS-CHI-96-021**

**Wednesday**

**31 January 1996**

January 1996

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# Daily Report

## China

FBIS-CHI-96-021

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**General**

**PRC: Spokesman on Jiang Speech on Reunification**

HK3101065496 Beijing CHINA DAILY in English  
31 Jan 96 p 1

[By Ma Chen: "Reunification Stressed"]

[PTS Transcribed Text for FBIS] President Jiang Zemin's speech last January on promoting relations across the Taiwan Straits, which outlined the basic principles for reunifying China, will remain valid, a Foreign Ministry spokesman said yesterday in Beijing.

Since China will resume the exercise of sovereignty over Hong Kong and Macao during the Ninth Five-Year Plan (1996-2000), settling the Taiwan issue will be "on the top agenda" of the Chinese people, spokesman Chen Jian said.

"We will continue to make efforts to create favourable conditions for the peaceful reunification of the motherland," he told the routine news briefing.

However, Chen said Taiwan authorities are pretending to produce favourable conditions for cross-Straits relations, but are actually launching activities to create "two Chinas" or "one China, one Taiwan."

While insisting on peaceful means to reunify China, he reiterated that as a sovereign state, China has the right to use "nonpeaceful means" to unite the motherland once foreign forces interfere in Taiwan affairs or Taiwan declares independence.

**PRC: Spokesman on Taiwan Independence, Foreign Interference**

HK3101035596 Hong Kong WEN WEI PO in Chinese  
31 Jan 96 p A2

[Dispatch by staff reporter Han Hua (7281 2901): "Foreign Ministry Spokesman Reiterates China's Stance, China Will Resolutely Resort To Force Should Two Circumstances Surface in Taiwan"]

[PTS Translated Text for FBIS] Beijing, 30 Jan (WEN WEI PO)— Foreign Ministry spokesman pointed out today that China upholds the principle of peaceful reunification of the motherland. At the same time, China has always stressed that as a sovereign state, it has the right to use nonpeaceful means, when necessary, to reunify the country. Should the two circumstances of foreign forces attempting to split Taiwan from the motherland or Taiwan independence surface, China will resort to force without any hesitation to attain reunification of the motherland.

Chen Jian said today that the Taiwan authorities are totally responsible for the failure of the meeting between leaders across the strait.

Chen Jian pointed out that the Taiwan authorities have failed to make a positive response to Jiang Zemin's 8-point proposal over the past year. In addition, the Taiwan authorities have taken a series of moves internationally to split the motherland, which has seriously undermined cross-strait relations.

The Taiwan authorities are creating a false impression of relaxed ties across the strait on one hand and stepping up their efforts to create two Chinas, go in for the so-called "elastic diplomacy," and purchase military equipment on a large scale on the other hand, Chen Jian pointed out. Only when the Taiwan authorities have taken practical action to give up their attempt to split the motherland rather than make verbal promises can cross-strait relations resume, Chen said.

**PRC: Spokesman on Visit of U.S. Warship to Shanghai**

HK3101034196 Hong Kong TA KUNG PAO  
in Chinese 31 Jan 96 p a2

["Special Dispatch" From Beijing on 30 January: "U.S. Warship Calls on Shanghai Today, Chen Jian Says Chinese and U.S. Armies Have Normal Ties"]

[PTS Translated Text for FBIS] Chen Jian, Ministry of Foreign Affairs spokesman announced today, a U.S. warship will call on Shanghai from 31 January to 4 February. He said the visit was a normal part of contacts and exchanges between the respective militaries of China and the United States. Chen stated that in the overall assessment of Sino-US bilateral relations, it must be stressed that China and the United States have extensive common interests, and that closer cooperation was not only in the interests of both countries, but also in the interest of international peace and stability in Asia and the world. Chen also noted that Sino-U.S. relations have improved and developed since the New York summit; China hopes that this progress will continue.

At the routine news conference of the Ministry of Foreign Affairs this afternoon, Chen Jian also reiterated that the Chinese government's stance on the issue of nuclear testing is explicit, and remains unchanged.

**PRC: Spokesman Says Stance on Nuclear Tests 'Unchanged'**

HK3101062896 Beijing CHINA DAILY in English  
31 Jan 96 p 1

[By Xiao Ma: "Nuke Tests To Remain Limited: Spokesman"]

[PTS Transcribed Text for FBIS] China's nuclear tests are solely for self-defence purposes and will remain



limited in the future, Foreign Ministry spokesman Chen Jian said yesterday at a news briefing in Beijing.

Commenting on France's announcement of the end of its nuclear test programme, Chen said China's stance on such tests remains "unchanged."

As soon as the Comprehensive Test Ban Treaty goes into effect, China will cease its tests, the spokesman said.

Chen also announced that French Foreign Minister Herve De Charette will pay an official visit to China from February 7 to 11 at the invitation of Vice-Premier and Foreign Minister Qian Qichen.

#### **PRC: Article Critical of U.S. Dealing With Iran**

*HK3101083796 Beijing RENMIN RIBAO in Chinese  
23 Jan 96 p 6*

[Article from "International Forum" column by Zhu Mengkui (2612 1125 7608): "Out of Keeping With the Times"]

[PTS Translated Text for FBIS] Some time ago, regardless of the norms of international relations, the United States Government flagrantly approved a \$20-million budget for use in subverting the Iranian Government. Such a peremptory move sparked widespread resentment in the international community. Iran then decided to lodge an accusation with the International Court against the United States. Furthermore, to give tit for tat, it also set aside a budget of \$14 million for targeting the United States. The confrontation between the United States and Iran has contributed a new factor of unrest to the already unstable situation in the Persian Gulf.

The United States has long been at odds with Iran. From the Islamic Revolution launched by Khomeini, to the hostage crisis between the United States and Iran, to the U.S. moves to intensify its military presence in the Gulf of recent years, Washington and Tehran have been in a state of confrontation, with disputes arising one after another. Following the end of the Gulf War, Iran has repeatedly indicated that it is willing to improve its relations with the United States. Yet the latter keeps brandishing the big stick of economic sanctions. However, some people in U.S. business circles have ignored their government's actions and continue their business with Iran. Rather than following the United States, the United States' European allies and Japan took the opportunity to strengthen their economic relations with Iran. Regardless of the U.S. pressure, Russia continued commercial cooperation with Iran. As a result, U.S. sanctions were merely nominal. In this situation, the U.S. Congressional plan to overturn the Iranian Government was introduced.

U.S. brazen interference in Iran's internal affairs is a concentrated embodiment of its strategy of "double containment" of Iran and Iraq in the Gulf region. While insisting on imposing international sanctions against Iraq, the United States is containing Iran on the political, economic, and military fronts. The United States gave a seemingly magnificent pretext, saying that it wanted to prevent the expansion of Iran's influence in the wake of Iraq's decline which would upset the balance of power in the Gulf region. It even promoted the idea that Iran is likely to invade Iraq and so forth. Clearly, by playing up both the "Iran threat theory," and the "Iraq threat theory," the United States wants to unsettle the Gulf states in order to reap unfair gains.

The United States itself also stated bluntly that its decision to continue sanctions and the "double containment" strategy are aimed at building up U.S. military presence in the Gulf region, controlling the world's most important energy resources, expanding arms exports, and safeguarding its strategic political, military, and economic interests. Farsighted people in the Gulf states pointed out that the United States will not leave the Gulf in peace, otherwise it will have no excuse to dispatch troops to display its military power there.

The flagrant attempt by the U.S. Congress to overturn the Iranian Government has once again demonstrated that even though the Cold War has ended, the world is not very peaceful, primarily because hegemonism and power politics refuse to leave the international arena. Some major powers are still used to the confrontation during the Cold War period. They always resort to such old weapons as interference, containment, encirclement and checking [wei du 0953 1035] and threaten others with isolation, sanctions, or even subversion. However, such hegemonist moves have run counter to the world trend since the end of the Cold War and become increasingly incompatible with the times. Therefore, the United States is bound to run into snags and be foiled everywhere if it fails to free itself soon from the Cold War mentality. Iran's retaliation to its naked threat is a case in point.

#### **United States & Canada**

##### **PRC: Jiang Chunyun, Glickman Discuss Agriculture, Ties**

*OW3101074496 Beijing XINHUA in English  
0704 GMT 31 Jan 96*

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — Chinese Vice-Premier Jiang Chunyun met with Dan Glickman, US secretary of agriculture, here today.

Jiang said both China and the US are among the major agricultural nations in the world and have respective advantages. He noted that it is important for the two countries to strengthen cooperation in agriculture.

He said that the recent years have witnessed progress in Sino-US cooperation in agriculture.

"To further strengthen Sino-US cooperation in agriculture is the common wish of the two sides and is in the interests of the two peoples," the vice-premier said.

Jiang added the cooperation in agriculture would help increase the mutual understanding between the two countries and promote the cooperation in other fields as well.

He expressed the hope that such cooperation would be further developed on the basis of equality and mutual benefit.

Jiang also briefed the visitor on China's agricultural development plan.

Glickman, who arrived here yesterday at the invitation of the Chinese Ministry of Agriculture, praised China for its achievement made in agriculture.

He said that the two countries have made some progress in the cooperation and set up many scientific research and exchange projects in the agricultural field.

He said it is important for the two countries to develop Sino-US relations, adding that the cooperation in agriculture is an important part in the development of bilateral relations.

Glickman noted that the US side would make joint efforts with the Chinese side to expand their cooperation in agriculture.

Chinese Minister of Agriculture Liu Jiang was present at the meeting.

**PRC: Agriculture Minister, U.S. Counterpart Meet**  
OW3101132196 Beijing XINHUA in English  
1305 GMT 31 Jan 96

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — Chinese and US officials agreed here today to expand their cooperation in the field of agriculture.

During talks between Chinese Minister of Agriculture Liu Jiang and Dan Glickman, US secretary of agriculture, this afternoon in the Great Hall of the People, the two ministers agreed to properly handle their difference in plant quarantine.

Liu said that it is a common task for China and the United States to promote their agricultural cooperation

and exchanges, which have been going well for many years.

He said that as to the technical issues concerning plant quarantine, the concerned departments and experts from the two countries should properly handle them on the basis of respecting science and through friendly consultation.

China's regulations on plant quarantine are in line with the international practice and norms, Liu added.

Glickman said that a sound cooperation in agriculture may be beneficial to promoting bilateral relations in other fields, and the difference in plant quarantine can be settled on the basis of science and international norms.

Earlier today Chinese Vice-Premier Jiang Chunyun also met with Glickman and Jiang told him that both China and the US are among the major agricultural nations in the world and have respective advantages. He noted that it is important for the two countries to strengthen cooperation in agriculture.

"To further strengthen Sino-US cooperation in agriculture is the common wish of the two sides and is in the interests of the two peoples," the vice-premier said.

Glickman, who arrived here yesterday at the invitation of the Chinese Ministry of Agriculture, praised China for its achievement in agriculture.

During his stay here, Glickman also met with Chinese trade officials and discussed with them on trade of agricultural products, technical cooperation in agriculture and plant quarantine.

### Sub-Saharan Africa

**PRC: Malagasy Officials Affirm 'One China' Policy**  
OW3001033796 Beijing XINHUA Domestic Service  
in Chinese 0357 GMT 24 Jan 96

[By reporter Zhao Jian (6392 0256)]

[FBIS Translated Text] Antananarivo, 23 Jan (XINHUA) — During separate meetings today with Chinese Assistant Foreign Minister Ji Peiding [0679 0160 1353], Madagascar National Assembly Speaker Andriamananjato [name as transliterated] and Prime Minister Rakotavahiny reiterated that Madagascar recognizes only one China; that is, the PRC.

Andriamananjato said: Madagascar and China share identical or similar views on many issues. Madagascar has a lot to learn from China during the process of economic development.

Rakotavahiny, in meeting with Ji Peiding, expressed the hope that the two sides would strengthen cooperation,

especially in the areas of bilateral trade, agriculture, and food processing.

Ji Peiding said the purpose of his visit was to further promote the two countries' existing friendly relations and cooperation.

Ji Peiding also held talks today with Madagascar Foreign Minister Sylla on the international and regional situation.

Chinese Ambassador to Madagascar Zhao Baozhen and Foreign Minister Sylla today signed and exchanged notes regarding China's donation of relief aid worth 1 million yuan to Madagascar.

**PRC: Jiang Zemin, Ugandan President Confer in Beijing**

*OW3001151996 Beijing XINHUA in English  
1430 GMT 30 Jan 96*

[FBIS Transcribed Text] Beijing, January 30 (XINHUA) — Chinese President Jiang Zemin expressed the conviction here today that through concerted efforts co-operation between China and Uganda can be reinforced.

During talks with visiting Ugandan President Yoweri Kaguta Museveni, Jiang said that China has always stressed its relations with Uganda.

Jiang noted that the two countries have maintained traditional friendship, and since the establishment of Sino-Ugandan diplomatic ties 33 years ago the co-operation between the two countries in the fields of politics, economy, national defence and culture have witnessed smooth development.

"We are grateful to President Museveni and the Ugandan government for the importance they attach to the friendship between the two nations," Jiang noted.

He continued that in recent years Sino-Ugandan economic and technological co-operation has improved, with positive results.

Jiang said that China attaches much importance to developing its trade and economic links with Uganda and is willing to make concerted efforts with Uganda in exploring new ways and areas for further co-operation in a bid to push bilateral trade and economic co-operation to a new high.

The president said that since it is improving its investment climate, Uganda will become more and more attractive to foreign investors, and the Chinese government encourages and supports in a positive way Chinese enterprises to invest and start businesses in Uganda.

Jiang said that he believed more contacts and exchanges between the two countries' enterprises will produce more achievements.

Museveni said that the Ugandan government and people greatly appreciate the long-term and staunch support of the Chinese government and people for the just cause of Uganda, and China's contribution to the African people's efforts in anti-colonialism and national economic development.

He welcomed Chinese businesses to invest and conduct economic activities in Uganda, which enjoys great advantages in producing coffee, cotton and tropical crops.

The president said that the Ugandan government strictly observes the one-China policy and it will not have official ties with Taiwan.

Jiang, expressing his appreciation for Uganda's stand, said that the issue of Taiwan involves China's sovereignty, territorial integrity, and the Chinese people's national feelings.

He said that the Taiwan authorities' stand of trying to split the motherland and attempting to create "two Chinas" or "one China, one Taiwan" is against the will and interests of all the Chinese people, including those residing in Taiwan, and therefore is unpopular.

Jiang said that China strongly opposes the efforts of certain foreign forces who attempt to use the issue of Taiwan to interfere in China's internal affairs and check China's development and reunification.

Extending his appreciation for the Ugandan government's support for the Chinese government in many international arenas, Jiang said that China and Uganda, two developing countries, share the same or similar views on many issues including democracy and human rights.

He went on to say that China holds that today's world is diversified and a certain kind of social mode should not be imposed on peoples of all countries.

For developing countries, Jiang noted, the rights to subsistence and development are the greatest human rights of all.

After years of war, the Ugandan government has made great efforts for developing its national economy and raising its people's living standards, which, in Jiang's words, is the most practical way to protect human rights.

Saying that both China and Uganda firmly oppose the practice of interfering in developing countries' internal affairs in the name of protecting democracy and human



rights, Jiang expressed his hope for closer co-operation with Uganda in the field of human rights.

Expressing his agreement with Jiang, Museveni said that Uganda, a pre-industrialized society, can only adopt a democratic mode in accordance with its own characteristics, while not copying that from industrialized countries.

He also spoke highly of China's stand in its opposition to any interference in other's internal affairs.

On African affairs, Museveni said that since the South Africa issue was resolved, African affairs have been turning for the better and Africa is moving forward.

Jiang said that the impact on Africa brought about by the drastic changes in international situations in the past few years has been relaxed and the African political situations are moving towards peace, while co-operation among African countries has been strengthened, which has resulted in economic development in a number of African countries.

Jiang said that the unity and co-operation among African countries are the greatest benefit to the African people. He added that he hoped that African countries could concentrate on economic construction while resolving various disputes, in a bid to create a peaceful and stable environment.

He reiterated that the Chinese government and people have all along been supporting the striving of the African countries and people for national independence, sovereignty and economic development.

He said that the Chinese government and people are willing to further co-operate with African countries under the new international situations.

Museveni invited Jiang to visit Uganda, and Jiang expressed his thanks for the invitation.

After the talks the two presidents attended the signing ceremony for an economic and technological co-operation agreement between the two governments. Then Jiang hosted a dinner for the Ugandan visitors.

Before the talks Jiang presided over a welcoming ceremony for Museveni and accompanied him in reviewing a guard of honor composed of the three services of the Chinese People's Liberation Army.

**PRC: Li Peng, Uganda's Museveni Discuss Ties**

OW3101080996 Beijing XINHUA in English  
0735 GMT 31 Jan 96

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — Chinese Premier Li Peng met here today with

visiting Ugandan President Yoweri Kaguta Museveni, and both had a cordial and friendly talk.

Li expressed his pleasure at meeting again with Museveni, who visited China in 1989, and said that the two presidents had discussed in depth furthering bilateral relations during the friendly talks yesterday and reached extensive agreement.

Speaking highly of Uganda's efforts to explore ways for development in accordance with its own conditions, Li noted that Uganda, an important country in East Africa, has scored remarkable achievements in safeguarding social stability and national unity, and restoring and revitalizing its economy, under the leadership of President Museveni in the past few years.

On international situations, Li said, the world is still not peaceful after the Cold War with some regional conflicts, and the development of multi-polarization is conducive to checking hegemonism and power politics, and safeguarding world peace and stability, as well as the common development of all countries in the world.

He pointed out that China and African countries share the same historical experiences and are facing the common task of development, adding that a lesson can be drawn from China's experience, that is, economic construction and political stability are the top priorities after national independence, and political stability is the guarantee of smooth economic construction.

Admitting the universality of human rights, Li pointed out that what is more important is to admit the different emphases among various countries at different stages of development and with different social, historical and cultural backgrounds, denying the practice of imposing the Western mode on developing countries in this regard.

For developing countries, Li noted, citizen's rights to subsistence and development should be given priority while ensuring their political rights and interests.

He went on to say that the human rights issue can be discussed internationally, but the discussions should be held on the principle of equality, friendship, mutual respect and enhancing understanding.

In this regard, said the premier, China and Uganda share extensive common ground, and should strengthen co-operation and support.

Speaking highly of the long-term support from the Chinese government and people for the just cause of Uganda and the African people at large, and China's position on the independent development of various countries, Museveni said that Africa has been freed

from colonialism and racism, and is making efforts for integration.

He pointed out that this is the choice of Africa, and Africa must strengthen regional economic co-operation and change the disintegrating situations on the African continent, so as to promote common development.

Museveni and his party were scheduled to leave here this afternoon by plane for Shanghai.

**PRC: Ugandan President Visits Shanghai 31 Jan**  
*OW3101151696 Beijing XINHUA in English*  
1435 GMT 31 Jan 96

[FBIS Transcribed Text] Shanghai, January 31 (XINHUA) — Ugandan President Yoweri Kaguta Museveni arrived in this largest metropolis of China from Beijing today.

The President was accompanied by Yin Dakui, chairman of the Chinese Government Reception Committee and vice-minister of public health.

Also today, Shanghai Mayor Xu Kuangdi met with Museveni and extended warm welcome to the Ugandan guests, who toured the city this evening.

### Latin America & Caribbean

**PRC: Chilean President, Zhu Rongji Discuss Cooperation**  
*OW3101052096 Beijing XINHUA in English*  
0350 GMT 31 Jan 96

[FBIS Transcribed Text] Santiago, January 30 (XINHUA) — Visiting Chinese Premier Zhu Rongji today discussed with Chilean President Eduardo Frei trade and economic cooperation between their countries and other matters of mutual interest.

At the meeting in the presidential palace, the Chilean president emphasized that Chile attaches great importance to the development of relations with China in various aspects.

He said his state visit to China not long ago left Chilean officials and businessmen with a good impression of the enormous economic development in China.

At the meeting, Zhu said that after the establishment of diplomatic relations between China and Chile 25 years ago, bilateral relations in various aspects have been developing satisfactorily and trade between the two countries reached some 740 million U.S. dollars last year.

However, it represents only a small portion of China's foreign trade, and therefore there are broad prospects for increasing trade between the two countries, Zhu said.

Zhu said China imports more than 300,000 tons of copper every year and will increase its copper imports in the years to come as China's national economy grows.

He also said China is interested in making investments in the production of copper in Chile, the world's largest copper producer.

During the meeting, Zhu expressed appreciation over Chile's one-China policy.

After the meeting, Zhu met President of the Chamber of Deputies Jaime Estevez and Chief Justice Servando Jordan respectively.

Later today, Zhu had working conversations with Foreign Minister Jose Miguel Insulza, Minister of Economy Alvaro Garcia, acting Finance Minister Manuel Marfan, and other government ministers.

Zhu arrived in Chile from Argentina yesterday. He will also visit Uruguay and Germany.

**PRC: Zhu Rongji, Argentina's Menem Agree on Ties**  
*OW3001171296 Beijing XINHUA in English*  
1617 GMT 30 Jan 96

[FBIS Transcribed Text] Buenos Aires, January 29 (XINHUA) — China and Argentina agreed today that there are broad prospects for friendly cooperation between them and that the two countries should step up their exchange of experience in developing the economy.

The two countries affirmed the need of sharing each other's experience when visiting Chinese Vice Premier Zhu Rongji met with Argentine President Carlos Menem at the latter's office this morning.

Zhu said economic and trade exchanges between China and Argentina will continue to expand as the economies of the two countries are mutually complementary.

While China is rich in manpower and possesses great market potential, Argentina abounds in natural resources, the Chinese vice premier said.

Each can provide many products which the other needs, he added.

Menem expressed agreement with Zhu and spoke highly of China's achievements in reform and the drive of opening to the outside world.

The Argentine president reiterated that his country will continue to pursue a one-China policy.

Apart from bilateral relations, Zhu and Menem also discussed major world issues of mutual concern.

Both leaders expressed satisfaction at the cooperation in international affairs between China and Argentina, and said such cooperation and mutual support should continue.

During his visit, Zhu also met with Argentine business leaders and briefed them of China's reform and opening progress.

On the same morning, pertinent Chinese and Argentine parties signed the minutes on China's assistance in building a soda plant in Argentina and an agreement on China's provision of a loan for Argentina's La Rioja province to purchase machinery equipment.

Zhu and his delegation left here today for a four-day visit to Chile. He will also visit Uruguay and Germany.

**PRC: Foreign Trade Minister Wu Yi Receives Cubans**

*OW3101044896 Beijing XINHUA in English*  
*0402 GMT 31 Jan 96*

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — Wu Yi, Chinese minister of foreign trade and economic cooperation, met here today with her Cuban counterpart Ricardo Cabrisas, and his party.

After the meeting, Wu and Cabrisas signed a new agreement on the Sino-Cuban trade, under which, the pattern of the two-way trade would be switched from the barter trade to trade in cash.

The Cuban visitors are here as guests of Wu.

**PRC: Li Lanqing Receives Cuban Trade Minister**  
*OW3101101596 Beijing XINHUA in English*  
*0957 GMT 31 Jan 96*

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — Chinese Vice-Premier Li Lanqing met here today with Cuban Minister of Foreign Trade Ricardo Cabrisas, and his party.

The Cuban visitors are here as guests of Wu Yi, Chinese minister of foreign trade and economic cooperation.

Earlier today, Wu met with Cabrisas, and the two sides signed a new agreement on the Sino-Cuban trade, under which, the pattern of the two-way trade would be switched from the barter trade to trade in cash.



**Political & Social****PRC: Speech Raises Doubts Over Jiang's Control of Taiwan Policy***HK3101072296 Hong Kong SOUTH CHINA MORNING POST in English 31 Jan 96 p 9**[By Willy Wo-Lap Lam]*

[PTS Transcribed Text for FBIS] Jiang Zemin's decision to let premier Li Peng deliver a major speech on Taiwan yesterday has raised doubts about whether the President is still the top policy-maker on reunification.

Informed sources in Beijing said that until early this month, experts close to the Jiang Zemin Office and the Communist Party's Leading Group on Taiwan Affairs — which is headed by Mr Jiang — had been told to make preparations for a speech to be delivered by the President.

At the ceremony yesterday marking the first anniversary of Mr Jiang's eight-point initiative on Taiwan, only one representative of the Leading Group, Vice-Premier Qian Qichen, was present.

The People's Liberation Army leadership, which has accused Mr Jiang and Mr Qian of being too soft on Taiwan, was represented by Central Military Commission Vice-Chairman Liu Huaqing.

Mr Li's speech yesterday repeated the gist of Mr Jiang's eight-point initiative, but the emphasis was on the tough measures the military would take if Taiwanese authorities continued on a course of independence.

The premier omitted the President's reference to "Chinese not fighting Chinese" a year ago.

Political analysts said that in a speech to members of Hong Kong's Preparatory Committee last Friday, Mr Jiang might have aroused the ire of the army hardliners by referring to unification as a "long-drawn out process".

He said Taiwan would be tackled after Beijing assumed sovereignty over Macao in 1999.

While Mr Li also referred in a general way to the Hong Kong-Macao-Taiwan progression, he did not describe the process as prolonged.

A diplomatic analyst said Mr Jiang had put high hopes on the eight-point initiative a year ago.

"He has to face the fact that the prospect for reunification is more remote a year later and that he may have to take some of the responsibility for it," the analyst said.

In its editorial yesterday, the Liberation Army Daily espoused a much harder line on unification, repeating three times that the Army had the "ability, means and confidence" to protect national sovereignty and unity.

In meetings with foreign dignitaries including US officials, generals have breached protocol by openly stating their tougher stance on Taiwan.

Political observers said Mr Jiang's absence from yesterday's gala was all the more peculiar because on Monday he attended an opera in the capital. The opera told the story of Chinese oppressed by the Mongols in the 18th century who pined for the motherland.

**PRC: Campaign Against West's 'Peaceful Evolution Plot'***HK3101065796 Hong Kong HONGKONG STANDARD in English 31 Jan 96 p 6**[By Wu Zhong]*

[PTS Transcribed Text for FBIS] Beijing will launch a nationwide propaganda campaign after the Lunar New Year to fight against what it calls the resurging "peaceful evolution" plot by some Western countries.

The campaign plan was made as part of China's ideological work for the next five years in a five-day national conference of communist party propaganda heads held in Beijing last last week, according to Chinese sources.

The fight against "peaceful evolution" — which has been interpreted as a Western conspiracy to change the Communist Party's dictatorship without bloodshed — was also one of the major aims in Chinese President and party chief Jiang Zemin's latest instruction that "leading cadres must emphasise politics", the sources added.

This is despite the fact that Mr Jiang's instructions are also aimed at enhancing so-called "political discipline". This means that all party and government officials must obey the central leadership with Mr Jiang as the "core".

It is also in step with Mr Jiang's ambition to build up a unified ideology to hold the nation together.

Recent calls to contain China by some Westerners have increased Beijing's suspicion that, following the collapse of the communist empire in the former Soviet Union and Eastern Europe, is has become the major target for the Western "peaceful evolution" plot.

The propaganda campaign is aimed at reminding Chinese officials that, while concentrating on economic construction, they should also keep a close eye on political issues.

Former Chinese president Yang Shangkun, in his recent inspection tour to the Shantou Special Economic Zone, elaborated on Mr Jiang's emphasis on politics.

Mr Yang was quoted by China News Service as saying that the United States was playing political games with

China, adding that (Taiwanese President) Li Teng-hui was also playing politics with his pragmatic diplomacy.

"All these are political issues," Mr Yang was quoted as saying. "How can we avoid or hide from political issues? We must talk about and emphasise politics."

Besides "hard political issues", the campaign was also aimed at enhancing public opinion to cope with a crack-down on pornographic material, and the influence of "rotten" ideas from overseas which were deemed as "sugarcoated bullets" or weapons for "peaceful evolution", the sources said.

The sources said official corruption would also be blamed on "peaceful evolution" and treated as a serious political issue.

China analysts said Beijing had special reasons to launch such a campaign to tighten ideological control this year because it marked the 20th anniversary of the 5 April Movement.

Millions of people spontaneously gathered at Tiananmen Square during the Ching Ming Festival on 5 April 1976 to mourn the late premier Zhou Enlai, who died in early January that year, and to condemn the "Gang of Four" led by Mao's wife Jiang Qing.

The rally was suppressed that night by the military with unknown casualties.

The anniversary would make the authorities even more nervous than in previous years since the June 4 crack-down on student demonstrations in 1989, they added.

The campaign would also be combined with the construction of "spiritual civilisation" — or purification of ideology, a general task set for the country's propaganda machine for the next five years, Xinhua News Agency reported on Sunday.

Propaganda heads were urged to follow this line to create a good atmosphere for the party central committee's sixth plenum.

**PRC: Regulations Set on Employment of Foreigners**  
*OW3001171196 Beijing XINHUA in English*  
*1641 GMT 30 Jan 96*

[FBIS Transcribed Text] Beijing, January 30 (XINHUA) — China has published the "Regulations for the Management of Foreigners' Employment in China", which will go into effect May 1 this year.

According to the regulations, the employment of foreigners must be conducive to China's reform and opening up, and economic development, and it should not encroach upon the employment of Chinese citizens.

Foreign professionals who are badly needed may work in China, while ordinary laborers are strictly forbidden from seeking jobs in the country.

The regulations, jointly published by the ministries of labor, public security, foreign affairs and foreign trade and economic co-operation, stipulate that an employment licence system will be introduced, which will include licence certificate, professional visa, employment certificate and residence permit.

Foreigners falling into the following categories do not have to obtain employment certificates: professionals and executives directly invited and financed by the Chinese government; professionals and executives holding senior professional titles and special skills employed and financed by government departments and institutions; foreigners engaged in Sino-foreign exchange programs in accordance with related agreements and contracts between the Chinese and foreign governments and international organizations; foreign companies' China-based chief representatives, representatives and other foreigners with advanced and special skills or management titles.

The regulations also deal with social insurance, working periods, vacations, labor protection and disputes concerning foreigners' employment in China.

All foreigners who work illegally in China and Chinese organizations who employ foreigners without permission will be seriously dealt with. On the other hand, foreigners with proper employment and residence certificates will be protected by Chinese laws.

**PRC: Report of Sabotage at Tibet Paper Indicates Discontent**

*HK3001085496 Hong Kong SOUTH CHINA*  
*MORNING POST in English 30 Jan 96 p 3*

[By Robert Barnett]

[PTS Transcribed Text for FBIS] A worker at Tibet's main newspaper sabotaged a recent edition of the paper to indicate discontent with Chinese policy over the Panchen Lama succession, according to reports from Lhasa.

The incident has emerged as continuing signs of opposition are reported to the Chinese decision last November to appoint their own protege to the second highest position in Tibetan Buddhism.

The unknown newspaper worker, believed to be a photo compositor, altered a front page photograph in the Tibetan-language edition of the Tibet Daily so that China's top leaders appeared to be sitting behind a row of Tibetan lamas instead of in front.



According to reports from the Tibetan capital, no one has been identified as responsible for the alteration, which looks at first glance like a printing error.

The newspaper, the official mouthpiece of the Communist Party in Tibet, usually carries the same photographs and text as the Chinese language edition published the day before.

The photograph, published in its original form throughout China a day earlier, showed President Jiang Zemin, General Liu Huaqing and four other party leaders sitting in front of three rows of senior Tibetan lamas and dignitaries.

The photograph had been printed prominently on the front page of the People's Daily, the English language China Daily, and the Chinese-language edition of Tibet Daily, on November 13, 1995 and was intended to show the party's control over the selection process for the reincarnation of the Panchen Lama Tibet's second highest religious leader.

But when it appeared the next day in the Bod-jong Nyen-re Tsag-par, the Tibetan-language edition of Tibet Daily, the picture had been reduced and shifted to a corner of the front page and the first row of lamas had been copied to the bottom of the picture, so that the Chinese leaders have one row of lamas in front and three rows behind.

The alteration to the photograph is crudely done, without any attempt to disguise the joint where the front row has been added probably so that workers involved could argue it was a production error.

Tibetans contacted in Lhasa have described the photograph as a veiled criticism of Chinese policy.

The photograph shows a much publicized meeting in Beijing on November 11, at which Tibetan lamas were lectured by President Jiang to hurry up with choosing a new Panchen Lama.

The lamas in the picture, described officially only as members of the "leading group for locating the reincarnation child of the Panchen Lama", had been ordered to Beijing a week earlier and had agreed, apparently under strong pressure, not to recognise the child chosen by the Dalai Lama as the correct reincarnation.

The 24 lamas and dignitaries in the picture are not identified by name.

A senior lama from southern Gansu, formerly part of northeast Tibet, made a statement at the meeting protesting against the decision to reject the Dalai Lama's choice.

#### PRC: No Social Disturbance From CD Salon Closures

OW3001161396 Beijing XINHUA in English  
1602 GMT 30 Jan 96

[FBIS Transcribed Text] Beijing, January 30 (XINHUA) — The closure of 5,000 compact disk (CD) salons nationwide has so far caused no social disturbance, a senior official said here today.

"Most managers said that they agreed with the government's decision, and I have so far heard of no confrontations between the law enforcers and the managers," said Wang Wenyuan, deputy director of the Administrative Bureau for Cultural Markets of the Culture Ministry.

"They closed the salons voluntarily to follow the government's order," said the official, who is responsible for the crackdown launched at the end of last year.

About 95 percent of the 5,000 salons have been closed and the ministry is urging cities to close the rest within a definite period of time, he added.

An investigation launched by XINHUA correspondents earlier this month backed up Wang's statement. The manager of a CD salon in the coastal province of Fujian told a reporter: "I closed my salon immediately after I read about the government notice and realized that what I was doing was illegal".

The Chinese government maintained that the commercial showing of CDs infringed international copyrights.

The government first banned the commercial showing of CDs in 1990. But this time it adopted tougher measures.

Wang said that the closure has resulted in a great loss of money and the re-arrangement of the staff members of the salons.

XINHUA's investigation has found that most salons were run by state-owned cinemas and the workers are still attached to the cinemas. They might be given new jobs by the cinema managers.

Wang said that the crackdown was carried out smoothly, thanks greatly to local government and media support.

"At the beginning, some people could not understand the decision. But after they heard the explanation of the government and the press, they realized the necessity of anti-piracy steps. The crackdown itself taught a legal lesson to all the people and will have a lasting influence on copyright protection," Wang said.

He went on to say that the move will not affect greatly people's recreational activities, as there are still 4,000 cinemas and many similar facilities in the country.



Sources at the China Film Export and Import Corporation said that the annual import of 10 first-rate foreign films will benefit from the closure.

**PRC: Tianjin Orphans Said To Receive 'Decent Care'**

OW3001090896 Beijing XINHUA in English  
0851 GMT 30 Jan 96

[FBIS Transcribed Text] Tianjin, January 30 (XINHUA) — Children in China's orphanages receive decent care and conditions are improving steadily, said Sharon Gastright, head of the Tianjin International Committee for Chinese Orphans.

The committee was set up in 1994 by foreign women residing in Tianjin, the largest port city in north China, to raise funds for children living in welfare houses and to get foreigners and some international organizations to provide help for the orphans.

There are 210 orphans at the Tianjin Child Welfare House, of whom only six are healthy, and all the others suffering from various disabilities.

"We have been seeking development in an opening-up drive over recent years, accepting help from all parts of society," said Yan Jiying, director of the house.

"Foreigners visit the house almost daily, and the total number is expected to be more than 10,000," Yan noted.

Many foreign women, most of whom are wives of executives with foreign corporations, such as Motorola, P&G, and Wella, have worked voluntarily for the welfare houses in recent years.

"I have lived here for two years, and I come to the house almost every afternoon," Ms. Gastright said.

The committee has sponsored several donation schemes and charity bazaars in recent years and American experts were invited to hold medical care symposiums in the house.

Last summer, more than 100 American students did voluntary works for the house during their summer vacation, with CBS making a special news coverage of the event.

"Compared with developed countries, conditions here are not so satisfactory, the children here, however, have received good care and the workers have tried their best," Ms. Gastright said.

"We can't apply Western standards to welfare houses in China — a developing country. What these children really need is your helping hand, not commentary," she added.

**PRC: Article Depicts Lives of Women Prisoners**

HK2901073996 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 22 Nov 95 p 4

[Article by Wang Jianmin (3769 0256 3046): "Life of Women Prisoners Inside High Walls"]

[PTS Translated Text for FBIS] For everyone in the world, prisons have always been surrounded with a mysterious aura. In particular, female criminals locked inside are all the more a special group that people care about and are eager to understand.

What on earth are the conditions of life, ideology, and reform through the labor of female prisoners in mainland China? Some time ago, I visited the Jilin provincial female criminal prison and got a profound impression: It is a special school to reform criminals as well as a factory to purify souls.

Driving southward along Stalin Street in the city of Changchun for roughly 10 minutes, we saw a world surrounded by live-wire entanglements, watchtowers, and high walls. This is the location of the Jilin provincial female criminal prison; all the female criminals throughout the county are concentrated here.

After entering the iron gate of the prison, a wide and clean concrete road was in front of us. On either side of the road, different kinds of flowers were in bloom, and drooping willows and glossy privet leaflets were agreeably green. In the flower gardens, a few old female prisoners were busy cutting branches and adding earth to trees and flowers.

In the 1950's, the Jilin provincial female criminal prison was a brigade of the Changchun prison. In 1970, there were just more than 200 prisoners incarcerated when it was moved to this site. In 1985, its name was formally changed to its present name. Today, more than 800 female prisoners in seven brigades are serving their sentences here.

Three two-story buildings in a "U" shape lie at the center of the prison. The Jilin provincial all-women Yuxin School ("Rehabilitation School") established by the prison and a clinic share one building, and the other two buildings are the prison dormitory and dining hall. In the center of the buildings is a large oval lawn. There, the 8 big characters "Self-respect, self-love, self-reliance, self-struggle" on the outer wall of the dining hall are most prominent. Door curtains made by the female prisoners themselves hang on all the dormitory doors. The four characters "sail toward opposite side" in red embroidery is quite striking.

Wang Shufen, a prisoner in the No. 1 prison dormitory, said that there are altogether 26 prison dormitories; her

dormitory has 33 inmates. Every female prisoner has her own fixed bed of more than half a meter in width. I saw that the quilts and sheets on the beds were as white as snow, and the quilts were folded squarely with clear corners and lines. Under every bed is a cupboard for various things. On the table under the window sill are a 20-inch Hitachi color television set and a tape-recorder.

The dining-hall was made clean and tidy, and prisoners were busy cooking lunch. Wardens in charge of the dining hall said that the 3 daily meals are cooked in compliance with the living standards of average local people.

The female prisoners wear uniforms: white shirts and blue skirts in summer and blue suits called "school uniforms" in the other seasons. Their hair is uniformly cut into bobs and looks spirited. The prison forbids make-up, but necessary skin moisturizers can be used.

Shao Yanhui was sentenced to four years in jail for bodily harm and entered the prison at the end of last year. Every day she gets up at 0530, and after washing her face and rinsing her mouth, has an hour of culture class at 0600. After breakfast, she puts her things away and cleans the dormitory with her dormitory-mates. At 0800, led by wardens, they all line up to go to the garment factory for work. After lunch, she can read books or take a nap, and gets up at 1300 in the afternoon. At 1800 in the evening, regular roll call is taken, and then, 2 hours of political or cultural study is conducted. At 2100, they go to bed punctually.

Remittances from the families of female prisoners are cashed by the prison in their stead, and what is put into the inmates' hands is just a bank book. There is a shop in the prison, selling goods for daily use one day each month. Prisoners can spend no more than 50 yuan each time. Every month, the prison gives each of them a little money for incidental expenses. In addition, bonuses are given or taken away. Poor inmates can also receive a little pension.

Liu Yanhua, 37 years old this year, is a "red-card" (low-security) female prisoner. According to reforming attitude and behavior, the prison classifies the inmates into two levels of low and standard security, distinguished by the red or white color of the identification card on their chest. Low-security female prisoners enjoy relatively greater freedom and can help wardens with some odd managerial tasks. Liu Yanhua was sentenced to 15 years of imprisonment for premeditated murder, and began her term in 1990. She has since actively reformed and her imprisonment was reduced by two and one-half years at the end of 1993. She is now head of the teaching office in the prison. Besides teaching, she is also an assistant to the wardens, managing many chores.

The female prisoners practice self-management to a large extent. They are divided into groups, with each dormitory serving as an unit, and a group head is democratically elected by the female prisoners. Everybody lives and labors together, helping each other.

Every month, there is a visiting day when their family members can come see the inmates. Taking into consideration the character of the female prisoners, the prison provides a relatively loose environment for prisoners and their family members during visitations. The female prisoners are not prevented from writing letters, and they usually write one or two letters a month.

### PRC: Book on Muslims' Sex Lives Sparks 'Outrage'

HK3101072496 Hong Kong SOUTH CHINA MORNING POST in English 31 Jan 96 p 10

[By Vivien Pik-Kwan Chan]

[PTS Transcribed Text for FBIS] A book titled *Weird Sex Culture* that looks at the sex lives of China's Muslims has sparked outrage in the northwest.

Protests have broken out in Shaanxi, Gansu and Ningxia provinces, which have large Islamic populations.

Beijing was extremely concerned about the controversy and had ordered a ban on the publication, an official said.

Several teams of officials had been sent out to retrieve and confiscate copies of the book, he said.

"The book is pornography," the source said. "Some of the chapters touch on the sexual behaviour of ethnic minorities, particularly the Muslims."

"The author used a pseudonym and the book claims it is printed by the Henan Publishing House," he added.

"But investigators found out that actually its publishers had stolen the name of the Henan unit."

It had proved difficult to trace who was responsible, he said.

Culture and ideology officials were worried by the increasing numbers of illegal publications, he said, particularly when these were pornographic and angered ethnic minorities.

Two years ago, another book which was called *Quick Turn of Minds*, and mocked Muslim taboos, aroused similar protests.

The book was a reprint of a Taiwanese publication and pirated the original Taipei copyrights.

Muslims are the largest of China's minorities.



**PRC: Dissident Says Guangzhou Police in  
'Cahoots' With Robbers**

**HK3101072696 Hong Kong EASTERN EXPRESS  
in English 31 Jan 96 p 1**

[By Didi Kirsten Tatlow]

[PTS Transcribed Text for FBIS] The dissident Wang Xizhe has accused Guangzhou authorities of deliberately failing to act against suspects in an attack on him earlier this month, despite the fact their identities were well-known to police.

The mastermind behind the robbery was in cahoots with local police and received their protection, Wang said.

A neighbour of his who attempted to intervene with the police on Wang's behalf was threatened with a long jail term, Wang said, in a message sent from Guangzhou on Monday and received in Hong Kong yesterday.

Guangzhou police did not investigate or punish three men whose identities were known to them because of Wang's record as a political dissident, he said. "Because I am a political criminal... so my life and possessions do not receive the protection of the law," Wang said.

Wang is currently under an order not to leave Guangzhou city until the year 1999, as part of a post-sentence punishment.

Wang, a veteran of the 1979-1981 Democracy Wall Movement, was sentenced in 1981 to 14 years jail on charges of fomenting counter-revolution.

He spent 12 years in jail.

He was picked up again and held for two weeks in June, 1995.

Wang said three men, working under the direction of a man named Chen Hai, held him up with two hunting rifles and stole an undisclosed amount of money and valuables on January 14.

Chen had approached Wang last July and offered him aid, boasting he had good connections with Guangzhou police and could "fix" things for Wang.

After the robbery, Wang filed a complaint with the police which resulted in Chen's detention for one day.

Chen was released despite admitting to police he had Wang's goods in his home, Wang said.

Chen's confession was relayed to Wang by Wang Guangping, the deputy chief of the Xiaogang police station, Wang said.

Chen was in cahoots with local police and was frequently seen sharing meals with them. This explained his seeming immunity from justice, Wang said.

In addition, a sympathetic neighbour who assisted Wang filing his complaint with the police was threatened by unnamed persons at his work place, Wang said.

The neighbour, whom Wang declined to name, was asked why he "helped people who should not be helped", Wang said.

In a final threat, the person was asked if she or he "wanted to get 14 years like Wei Jingsheng got", Wang said.

He added that the person had since been forced to flee to an undisclosed location.

The Public Security Bureau was not "distinguishing between right and wrong", and was "mixing up black and white", Wang said.

The incident was an example of how the "crooked always prevails over the upright" in China, he said.

Xiaogang police station personnel could not be contacted for comment yesterday.

**\*PRC: Article Views Peasant Ideological Education  
96CM0055A Beijing QIUSHI [SEEKING TRUTH]  
in Chinese 16 Oct 95 No 20, pp 38-41**

[Article by Botou Municipal CPC Committee, Hebei Province: "A Problem That Cannot Be Ignored—Discussion of Peasant Ideological Education Under the New Circumstances"]

[FBIS Translated Text] Better peasant ideological education is a matter that we have repeatedly thought about and explored from many angles during the process of developing a socialist market economy in recent years. Practice has told us repeatedly, and both negative and positive experiences have constantly warned us that this matter must be taken firmly in hand. Not the slightest slackening of effort can be allowed. We have made some efforts and trials, and obtained some results in this regard during the past several years for which we have received honors for building spiritual civilization.

**I.**

Indecision, uncertainty, and doubt exist among some cadres and the general public as to the need for better ideological education of the peasants. Some feel that with changes in production and business methods and the increasingly prominent role of economic means, economic means can substitute for ideological education to regulate peasant conduct. Others suppose mistakenly that ideological education is ineffective under the new circumstances in which there are so many problems to attend to, since ideological education requires so



much effort. These notions are stumbling blocks to better peasant ideological education, and they have also created laxity about peasant ideological education for a time. However, the intensification of reform and development of the economy pose increasingly urgent requirements for working at multiple tasks at the same time, and working with might and main. They also ever more seriously bring to the CPC committee's attention the need for ideological education of the peasants.

In the development of the rural economy, we feel increasingly that unless economic development is complemented with ideological and moral progress, and unless spiritual civilization complements material civilization, sustained and healthy development of the economy will be difficult. We have found through the summarization of experiences that in every unit and place that has sustained production for several years and that has developed steadily for more than a decade, work on the two civilization has always been coordinated rather well. In every unit and place that tackles the economy purely from the economic standpoint, production may prosper for a time, but not for a long time. This phenomenon of "being able to stand up but not being able to secure a firm footing" shows the extreme importance of peasant ideological education. Economic development requires dynamism, and this dynamism stems from both the economic domain and the ideological and moral domain. Practice makes us realize that economic development does not spur all-around social progress in places in which the leader tackles his job from the standpoint of "all is well when the economy is well." On the contrary, it is accompanied by ideological disarray, rampant feudal superstition, disorderly cultural markets, no assurance of public order, and much complaint from the public. This shows that the building of prosperous, civilized new socialist rural villages requires placing ideological education work on the important daily agenda of local CPC committees as an indispensable regular task to be given close attention and to be done well, and that it is coordinated with and complements economic construction.

The state of peasant ideology has an effect on the degree of rural stability. Comrade Deng Xiaoping has said that 80 percent of China's population lives in rural villages. China's stability depends primarily on the stability of this 80 percent. Rural stability depends primarily on ability to develop the economy. At the same time, attention must be paid to the effect of peasant ideology on rural stability. We have come to realize in the course of work that there can be no relaxation of peasant ideological training while developing the economy. Both tasks must be performed at the same time. Tackling the building of both civilizations is an effective

work approach. This is because all kinds of problems increase suddenly, and numerous contradictions intersect. Solving new problems and new contradictions requires reform and development, laws, and systems. It also requires pervasive and painstaking ideological and political work among the peasants. We have found that reforms that make the people prosperous and that benefit the public end up being misunderstood by the public for want of necessary ideological and political work. Not only are they not accepted, but they provoke disorder. This tells us that good development approaches must be accompanied by good ideological work if they are to provide a stable ideological and social climate for development. Currently, rural public order is a hot topic about which the peasants have a strong reaction. Good rural public order and ensuring rural stability requires an effective, comprehensive public order program for which peasant ideological education is basic and fundamental. Throughout successive changes in its membership, the Boli Village CPC branch in our city has always maintained ideological education of the peasant masses. Even though some conflicts arose from time to time, thanks to interpersonal relationships of mutual support and mutual compromise, not a single criminal case has occurred there since the founding of the people's republic. This village's experiences show that a large number of the conflicts and problems of a rural village are generated in the course of peasant production, but when effectively channeled and eliminated at the outset through ideological education, an overwhelming majority of these conflicts and problems can be dispelled and eliminated. Failure to pay attention to ideological education may intensify conflicts and breed intense conflicts that lead to the disruption of rural stability.

We are building new socialist rural villages. These new socialist villages require new peasants possessed of a socialist conscious, as well as, cultural and scientific knowledge. Moreover, the fundamental way to improve the caliber of the peasants is to pay close attention to the ideological education of the peasants. Mao Zedong said that the education of the peasants is a serious problem. Today, educating and guiding the peasants remains a serious problem and an urgent task that we face. Now, the economic development of rural villages has taken a big step upward, and the peasants standard of living has taken a big step upward. Accordingly, the peasants' ideology, morals, and cultural caliber must take a big step upward. If this work is not given close attention and not done well, rural development will be unbalanced and disorderly. Numerous phenomena are alarming us in this regard. In many places, the peasants have become prosperous but they have discarded social ideals in a one-sided quest for selfish interests. They have forgotten the traditional virtues and indulge in vulgar practices.

In some places, more people are vying with each other to show off their wealth. Waste, drinking, revelry, and gambling have become the order of the day; feudal superstition runs rampant; and religion, clans, and even local evil forces have reappeared. These phenomena do not disappear despite prohibition, and they even spread to become disasters. This shows deeply the arduousness, the complexity, and the seriousness of peasant ideological education work. If we pay close attention to this work, the spiritual complexion of the peasants will improve, and rural villages will take on a new appearance. Various repulsive phenomena will largely disappear. The more than 100 "civilized villages" in our city have used various means to do a good job of peasant ideological education in the course of economic development. They have guided the peasants in building civilized ways of life that are in keeping with their own realities and that have served as very good role models in promoting the building of socialist spiritual civilization in rural villages throughout the city. Practice gives us a sense that we cannot withdraw and do nothing because of the daunting nature of this work. We must rely on regular, solid, and highly effective work that subtly influences the peasants to give up old habits and customs, and establish new morales. We should have a clear and conscious realization that this is the historical duty of our local Party committee.

## II.

In providing ideological education to the peasants, we feel we must pay close attention to the following several problems:

First is to conduct peasant ideological education that emphasizes socialism, collectivism, and patriotism. Following the party's institution of the family output-related contract responsibility system, the peasants changed from collective production to separate operation. The change to this form of operation highlighted more the importance of peasant education in socialism, collectivism, and patriotism. Some people claim that the peasants are interested in material benefits, and that preaching to them about socialism, collectivism, and patriotism is too abstruse and too empty. Actually, these principles are closely linked to the production and life of the peasant masses. They are expressed all the time in every aspect of their lives. In educating the peasants in socialism, collectivism, and patriotism, we are guiding the peasant masses in handling the correlation among the country, the collective, and the individual. This enables the peasant masses to combine and coordinate well production and business with safeguarding the interests of the country and the collective, resolutely

opposing conduct that hurts the country, undermines the collective, and seeks selfish interests. In addition, we are increasing the collectivist sense of the peasant masses, and stimulating the enthusiasm of the peasant masses for developing a collective economy for common prosperity. Unless the collective economy develops and grows strong, no real economic foundation exists for socialism, collectivism, and patriotism, and this kind of education will also come to naught. We link strengthening of the collective economy with education in the strengthening of collectivism, using education in collectivism to enable the peasants to appreciate the necessity for a strong collective economy, and using a strong collective economy to increase the peasant masses' collectivist consciousness. It is because of the close attention paid to education in socialism, collectivism, and patriotism that this city's rural collective economy has had substantial development. Today, all of the city's townships and villages have collective enterprises. Income from village-operated enterprises in a large number of "small healthy villages" such as Liutun, Chadian, and Liuxin accounts for more than two-thirds of all income, and heartening changes have occurred in the atmosphere and appearances of the villages.

Second is better education in regard to a correct outlook on life, value, and moral concepts. What is human life? What is the value orientation of human life? What moral standards should we have? The answers to these questions are by no means extremely clear for some of the peasant masses, particularly young peasants. As a result, a wrong value orientation and wrong standards for judging value have appeared in which money is worshiped, money talks, and to have money is to have everything. Some people will do anything for the sake of money. When they have money, they become delirious with joy. Such misplaced values lead to confused moral perceptions and conduct. It has an extremely bad effect on the peasant masses. It has an extremely great adverse impact on the fine traditions and standards of decency of being well-behaved, doing one's duty, making money through hard work, and abiding by the law in doing business. We have improved peasant education, concentrating on these mistaken ideas about outlook on life, values, and moral concepts to provide the peasants a correct understanding of the relationship between individuals and society, as well as, between themselves and others, and understand that they can only seek right and just personal benefits, but may not injure others for their own benefit, or injure the public good for personal benefit.

Third is better peasant education in changing existing habits and customs. In recent years, some bad old customs and habits have reappeared in rural villages,



and even some things that were eradicated for a time following the founding of the republic have been revived to become all the rage. The reappearance of these bad old customs and habits seriously hampers the change of existing habits and customs in rural villages, corrodes the healthy mentality of the peasant masses, and pollutes the honest and simple spiritual atmosphere of rural villages. We have intensified our work to change existing habits and customs in the face of these phenomena that undermine public morals. We want to enable the peasants to distinguish among the traditions we should continue, the new morales we should advocate, and the bad old customs and habits we should eradicate. We want to increase peasant resistance and immunity to the bad old customs and habits, making them realize through various means, that following bad old customs and habits is damaging and shameful, but that opposing bad old habits and customs is beneficial and meritorious. In rural villages throughout the city we have established organizations such as "weddings and funerals councils," "women gambling prohibition associations," and "associations for support of the elderly" to guide and help the peasants gradually establish a healthy and civilized life style by changing existing habits and customs so that they can enjoy more positive pleasures in life; to improve steadily the character and quality of the peasants' spiritual life to make their spirits rich and healthy, and filled with joy; and to build fine interpersonal and neighborly relations that create a harmonious and friendly social atmosphere.

### III.

Doing a good job of peasant ideological education under the new circumstances requires, we believe, attention to the following several points:

First, local CPC committees—particularly county level CPC committees—must have a strong sense of responsibility and a strong sense of mission. Ideological and political work is the political strength of our party. This is a strength that we must never lose. During the development of a socialist market economy, local CPC committees must apply this advantage well. Ideological methods that concentrate solely on economic work to the neglect of ideological and political work or the failure to pay attention to the coordination of the two, are nearsighted and narrow. From the standpoint of a CPC committee member, they are also a dereliction of duty. When working at multiple tasks at the same time, and working with might and main, following a work approach of both hands keeping fully occupied, one very important matter is for one hand to have a clear and steadfast understanding of this problem. This is the only way that each level can tackle the work at

that level to form a vertical responsibility network. At the same time, it enables all functional units to take responsibility for ideological and political work, to blend this work into various activities such as economic work, building of the legal system, and a comprehensive program of public order for the formation of lateral coordination so that peasant ideological education work does not degenerate into vagueness, and so that it becomes real rather than hypothetical. Through effort, we have shaped a multilevel, multifunctional peasant ideological education corps that encompasses all fronts, that taps strengths in all fields, that ensures that everyone has work to do, and that every task has someone to perform it. Consequently, peasant ideological work throughout the city has organization, bases from which to work, and a system. It has gradually become regularized and normalized.

Second, we have devoted attention to building bases for ideological education. We have constructed "three schools," (township and town party schools, agricultural technology schools, and schools for popularizing the law), and "three stations," (village party member activity stations, agricultural technology study stations, and legal system publicity stations). These peasant ideological education base networks pretty well solve the problem of matters falling between the cracks in ideological and political work. They have produced rather remarkable results. This experience has been endorsed and propagated by the provincial CPC committee. We have coordinated our work with economic construction throughout the city, focusing on the work emphasis at different times. First we conducted mass lectures on "change is taking place all around me," and "10 red flag," and "10 strong villages" campaigns for founding a comfortably well off standard of living in rural villages, which widely attracted and educated the masses. We made sure to discover at once advanced role models who appeared in rural villages, and we summarized and spread their experiences. We shot two television films, "Ten Red Flags," and "100 Trades in 100 Villages," using everyday people and everyday events in the lives of the masses to educate and guide the masses. During evaluation and selection of the founding of city "civilized townships (or villages)", and "civilized households," we popularized the founding of various kinds of mass self-governing organizations such as village government participation councils, civil mediation committees, and legal system publicity associations, thereby enabling the peasants to manage their own affairs, provide services for themselves, and educate themselves. Using township and town cultural stations as the basis, we organized and fostered a nearly 2,000-man literature, theater, filming, and sports mass cultural corps. This corps is active among the peasants all year round. It uses the



forms that the peasants like to see and hear to inspire the peasant masses. An example was the founding of the Chaohua Poetry Society as long ago as 1983, which attracted a large number of young peasants. This kind of activity spread very quickly throughout the city's rural villages, and it still plays a lively role among the masses. The ideological and moral caliber of the peasants is very closely linked to their scientific and cultural caliber. For example, a very close correlation exists between the spread of feudal superstition and not very great spread of scientific knowledge. Our attention to simultaneous improvement of the scientific and cultural caliber of the peasants went far toward containing the spread of rural feudal superstition.

Third, good training of party members and the cadre corps is the key to good rural ideological education. Rural party members and the cadre corps are the backbone of rural villages. Only through good training of rural party members and the rural cadre corps, as well as, the use of their role as advanced models for influencing and stimulating the masses, can rural ideological education be further consolidated and improved. In addition, rural party members and cadres are the backbone of rural work. Their every word and deed acts as silent propaganda. We ran projects throughout the city to standardize, systematize, and make more scientific the work of rural party members and rural cadres. We conducted campaigns including, "I shed luster on the party banner," and "review of the party entrance oath" to enhance grass roots party members' and cadres' sense of serving the people. In party member linkup campaigns consisting of linkups of as few as 10-odd members, or as many as 40 to 50 members, the rank and file of party members devoted themselves to publicizing and explaining the party's plans and policies, and they regularly provided the party organization with feedback about the state of the public's ideology. Thus, the leading role of party members was used to unify and influence the peasant masses, the ideological education of the peasants permeated the daily lives of the peasant masses to give substance to the peasants' ideological education.

**\*PRC: Article Views 1995 Anticorruption Campaign**

96CM0088A Beijing ZHONGGUO QINGNIAN [CHINESE YOUTH] in Chinese 1 Dec 95 No 12, pp 6-9

[Article by Liu Mingbo (0491 2494 3134): "Anticorruption Campaign Claims 'Big Tigers' in 1995"]

[FBIS Translated Text] Gunshot Rings In New Year: Anticorruption No Mere Slogan

On 16 January 1995 the sound of gunfire in southwestern China reverberated throughout the country. Yan Jianhong [7051 0256 1347], formerly vice chairman of the planning commission of Guizhou Province and chairman of the board of the Guizhou International Trust and Investment Corporation, was executed on charges of corruption, misappropriating public funds, speculation, and taking bribes. The court verdict enumerated her crimes as follows. As vice chairman of the Guizhou Planning Commission and board chairman of the Guizhou International Trust and Investment Corporation, she embezzled 650,000 yuan and \$14,300 in public funds, colluded with others to embezzle a total of 1.5 million yuan in public funds, took bribes in the form of goods worth 17,000 yuan, as well as, HK\$10,000 in cash, personally misappropriated 2 million yuan and \$50,000 in public funds, and pocketed 400,000 yuan in illegal profits through speculation... Yan Jianhong, a departmental-level cadre, thus became the most senior official after Liu Qingshan [0491 7230 1472] and Zhang Zishan [1728 1311 0810] to be put to death in the history of the PRC's anticorruption campaign.

The righteous sound of gunfire dashed the sweet dreams of corrupt elements, demonstrating once again with iron-clad facts the CPC's determination "never to allow corrupt elements to do what pleases them and let them go scot-free." After Yan Jianhong's execution, discipline inspection departments, supervisory departments, and procuratorates at all levels worked hard to enforce the law of the land and the party's discipline upon one corrupt person after another. Looking back at 1995 as it draws to a close, we are certain this year will find its place in the annals of the PRC's anticorruption drive.

**1995: Highest-Ranking Cadres Executed, Most Money Recovered, Top Officials Handling Investigations**

Guo Zhengmin [6753 2398 3046], formerly a member of the Guizhou Provincial CPC Committee and director of the Guizhou Public Security Department, was sentenced to death with a two-year stay for taking bribes. Ceng Fanyan [2582 4907 5888], formerly director of the Hubei Finance Department, was sentenced to death, suspended for two years, for soliciting and accepting bribes exceeding 380,000 yuan. Qiao Yanling [0829 1693 7881], CPC committee secretary at the Minjiang Water Conservancy and Hydroelectricity Bureau, accepted 23,000 yuan in bribes and was sentenced to a five-year prison term. Zhang Chunbao [4545 2797 1405], an ex-director of the bureau, took 20,000 yuan in bribes and was sentenced to three years' imprisonment. The bureau's first deputy director, Cai Huirong [5591 6540 2837], solicited and accepted bribes in the

form of both money and properties totaling 414,000 yuan and was sentenced to death with a two-year suspension. The bureau's deputy director, Ceng Guorun [2582 0948 3387], took 13,000 yuan in bribes and was slapped with a two-year prison term. Zhang Wenxiao [1728 2429 2400], formerly deputy secretary of the Anshan Shi CPC Committee in Liaoning Province, was expelled from the party for reselling stock subscription certificates at a profit. Ping Yijie [1627 5030 2638], formerly president of the People's Higher Court of Hebei Province, was stripped of his duties inside and outside the party for using public funds to rent luxury sedans and using public properties for free. Yi Xiangyi [2496 3276 5030], a former deputy director of the Hunan State Security Bureau, was stripped of all duties and functions for visiting prostitutes and introducing others to prostitutes. In addition, the province's Education-through-Labor Commission required him to go through one year of education through labor. Ma Yanli [7456 1693 0448], formerly Anshan Shi CPC Committee secretary, lost his job for visiting prostitutes. Yang Zhenhai [2799 2182 3189], a former member of the standing committee of the Zhengzhou CPC Committee in Henan and a former secretary of the Gongyi Shi CPC Committee, was sentenced to a 15-year prison term at his first trial for accepting 75,000 yuan in bribes and having a bad attitude in owning up to his crimes. Shi Quanzhi [4258 0356 1807], who headed the transportation bureau in Chengdu, was arrested for accepting bribes, misappropriating public funds, and corrupting morals. Li Weimin [2621 0251 3046], manager of the securities department of Jiaxing Shi Trust and Investment Company in Zhejiang Province, and four other people were put on trial on charges of misappropriating 189 million yuan in public funds, making this the largest case in the nation involving the misuse of public funds to speculate on the stock market. Of this sum, 7 million yuan in bribes were determined to be unrecoverable. In China's top bribe-taking case, Wang Jianye [3769 1696 2814], head of the finance and trade section in the Shenzhen Planning Bureau, was put on trial for collecting bribes totaling 4,818,600 yuan and \$781,000 by taking advantage of his office and power and for colluding with others to accept 1.5 million yuan in bribes. Wang Fangquan [3769 5364 0356], deputy director of the lockup in Mianyang Shi, Sichuan Province, and Gao Lunshan [7559 0243 1472], a Class 1 police superintendent, were sentenced to jail for six and five years, respectively, for breaking the law they were supposed to enforce and secretly releasing prisoners who had been given death sentences with a stay of execution. Ren Jianxin [0117 1696 2450] and Luo Gan [5012 1626], secretary and deputy secretary, respectively, of the political and legal commission under the CPC Central Committee, and Procurator General

Zhang Siqing [1728 1835 5281] of the Supreme People's Procuratorate all took a personal interest in that case. After he was reassigned as director of the agricultural development office of Hubei Province and leading party group secretary, Li Jinghua [2621 2529 5478] kept replacing one luxury compact car after another. As a result, he was stripped of all responsibilities inside and outside the party. The chairman of the construction commission in Hubei Province took up far more housing than allowed and was given a severe disciplinary warning by the party. Liu Weiping [0491 4850 1627], deputy secretary of the Zhengding County CPC Committee in Hebei, threw a lavish wedding party for his son and accepted 32,240 yuan in gifts and money. For that he was expelled from the party and ordered to return the gifts and funds. In Fujian Province, the procuratorate investigated 10 bank presidents on charges of taking bribes and dereliction of duty, including a president of the Commercial Bank in Fuzhou surnamed Zhang and a president of the Construction Bank in Zhangping Shi surnamed Ge. Some leading cadres in Taian Shi, Shandong Province, were removed from their jobs and punished for taking bribes. Chen Shuiwen [7115 3055 2429], a former vice governor of Hubei Province, borrowed public funds to purchase legal-person stock by posing as a legal person illegally and then resold them for a profit. Moreover, he accepted 22,000 yuan from another person as profit from speculating on the stock market. Last August he was stripped of his duties as a member of the Hubei Provincial CPC Committee and vice governor.

Even more notable was the 3.2-billion-yuan illegal fund-raising case involving the Wuxi Xinxing Industrial Corporation, which was investigated by the Central Discipline Inspection Commission [CDIC] jointly with other supervisory departments concerned. Since the founding of the new republic, there has been no other case involving more money. But what made the case truly stunning and inspiring was that the CPC Central Committee and party committees at all levels gave the case top priority and offered their strong support, so that not only did the investigators get to the bottom of the Wuxi Xinxing illegal fund-raising case, but they also followed the leads and brought to light the criminal activities of Wang Baosen [3769 1405 2773] and Chen Xitong [7115 1585 0681].

On 4 April, Beijing Vice Mayor Wang Baosen committed suicide to avoid being arrested for his crimes. As instructed by the CPC Central Committee, the CDIC and other interested departments conducted a thorough investigation and discovered that during his tenure, Wang Baosen abused his office by embezzling and wasting huge sums of public funds and that he was a corrupt



person who had committed serious economic crimes. On 4 July, the Central Discipline Inspection Commission voted to expel him from the party and the standing committee of the Beijing People's Congress decided to remove him from his position as vice mayor. That same day the CPC Central Committee decided that since the investigation of Wang Baosen revealed the extensive involvement of Chen Xitong, the CDIC should probe the latter's activities as well.

After a painstaking investigation lasting more than two months, the CDIC and other departments involved finally uncovered most of Chen Xitong's crimes and reported thereon to the Fifth Plenum of the 14th CPC Central Committee. The Fifth Plenum determined that as secretary of the Beijing Municipal CPC Committee and Beijing mayor, Chen Xitong was guilty of serious dereliction of duty and should be held liable for the crimes committed by Wang Baosen; that Chen Xitong led a life of corruption and extravagance; that he abused his office to line the pockets of his relatives and others illegally; that he took advantage of his position to accept valuable articles; and that he should be stripped of his memberships of the CPC Politburo and CPC Central Committee in view of the seriousness of his crimes. The Fifth Plenum also proposed that he be stripped of his responsibilities as a National People's Congress delegate in accordance with the law and that the CDIC continue to look into his other errors.

Chen Xitong was the first Politburo member in CPC history to be punished for corruption. The Chen Xitong case has raised the anticorruption drive of 1995 to a high never seen before since the PRC's founding.

#### **"Over 30 Regulations No Match for One Mouth"**

Early this year the Fifth Plenum of the CDIC demanded that leading cadres clean up their act and practice self-discipline by following these two "not-allow" regulations: They are not allowed to accept invitations to banquets that may interfere with the impartial conduct of official business and they are not allowed to participate in entertainment activities in commercial music halls, dance parlors, and nightclubs that are paid for with public funds.

In the 10 years and more since reform was launched and the open policy introduced, public-funded wining and dining has always been a major social concern and is something the CPC Central Committee has sought to correct earlier than other unhealthy trends. Back in 1979, the CDIC issued a special circular devoted to the subject of wining and dining in rural areas. In December the same year the CDIC laid down a number of rules specifically with the sanitation inspection teams in the two cities of Xian and Lanzhou in mind. In the years that

followed, over 30 regulations were issued, reiterated, or amplified. Ironically, the very proliferation of rules is a measure of the ineffectualness of their enforcement. With each passing day, the masses became less and less confident that public-funded wining and dining would be brought to an end. Meanwhile, the problem grew in size and became routine.

Instead of being brought under control, public-funded wining and dining has been joined by public-funded entertainment, which can do far more harm and pose a greater danger than the former.

Accordingly the CPC Central Committee decided this year to go all out to crack down on the evil trend of "wining, dining, and entertainment," earning itself immense popularity in the process. In late July, the CDIC sent 11 inspection teams to 50 central and state units and organizations to focus on their compliance with the two "not-allow" regulations. Meanwhile, the news media also shone their spotlight on the restaurants. For a while things got really tough for the industry as everybody lay low. Buying a meal for a government employee that you are doing business with has become a taboo.

The shocking thing is that the ban on public-funded wining and dining turned out to be a heavy blow to the restaurant and entertainment industries. With the crack-down on public-funded wining and dining, business at upscale restaurants and places of public entertainment plummeted. This phenomenon both delighted and angered the man on the street. Of course he was elated that government cadres would no longer dare use public funds to pay for their visits to expensive restaurants and entertainment spots. On the other hand, the knowledge that enough public funds were spent in the past to prop up the entire upscale restaurant industry was nothing if not infuriating.

A wealth of facts proves that the CPC Central Committee's campaign against "wining, dining, and entertainment" has had a measure of success and that there is now less wining and dining than used to be. However, some people continue to wine and dine defiantly or do so in covert ways. A lot more work needs to be done before the wining and dining problem can be eradicated.

#### **1995: Leading Cadres Change Cars to Sweep Away Corruption on Roads**

On 6 August party and government organizations in Beijing put 10 above-standard vehicles on the auction block. For a while the auction was the hottest thing in town. On the 27th of the same month, another batch of 18 above-standard sedans, including many a Mercedes and Audi, changed hands at the sound



of the gavel. Selling off the luxury sedans of party and government cadres through public auction marks another step forward in the campaign begun last year to rid the roads of corruption by cracking down on the official use of such luxury cars and represents a "final solution" for the "official limousines" which were all the rage for a time. Similarly, leaders in Hainan Province and Shenzhen Shi set an example by auctioning off 57 luxury compact cars. Shantou Shi auctioned off five Mercedes and nine Lexus compact sedans formerly used by leading party and government cadres, with all the proceeds going to a science and technology development fund.

The Third Plenum of the CDIC last year laid down some rules to help sort out the issue of leading government and party cadres driving above-standard cars. The State Council Office also promulgated the "Regulations on the Allocation and Use of Party and Government Vehicles." These two developments instantly turned the public spotlight on the use of luxury sedans by leading cadres above the county-level. It is an issue that the public feels strongly about. By 26 December last year 456 above-standard cars formerly used by leading cadres above the level of a deputy director of a provincial department were all replaced. By 20 March this year the replacement of 8,121 above-standard cars ridden by prefecture-and county-level leading cadres across the country was also completed.

The rapidity and determination with which these cars were replaced in every locality and in every department shows the masses the firm resolve of the CPC Central Committee to clean up corruption on the roads. Still, accustomed as they are to "much said but little done," "policies from above and countermeasures from below," and all kinds of passing fads, the masses remain skeptical.

Will above-standard cars be dusted off and come back to life after a while? Wouldn't idling them for long periods be wasteful? What to do about the funds?

The CDIC issued a circular in June demanding that ownership transfer formalities be followed when trading vehicles with a subordinate unit; that the redesignation of a car for use in the conduct of departmental external affairs comply with the applicable regulations; that the number of cars so designated not exceed the level set by the State Properties Management Bureau; and that above-standard vehicles in principle not be used in the conduct of official business by a department, except in the case of public security and security departments which have special needs. No top-of-the-line luxury sedans, including Mercedes-Benz, Lincoln, Cadillac, BMW, and Audi equipped with V-6 or V-8 engines,

shall be converted into official business cars. It would be inadvisable to turn over above-standard cars to elderly ministers who have withdrawn to the second front or retired. Vehicles that are currently sealed up for storage or do not meet the above processing requirements must be sold to a designated procurement unit.

Public auction is well received by the public as a means of disposing of above-standard vehicles; no other solution is more thorough. The CDIC encourages the auctioning of above-standard vehicles and is willing to absorb some little losses as long as they are sold off and the proceeds go to aid enterprise production, education in science and technology, and poverty-relief programs. Other localities have set up a record management system for above-standard cars. Tianjin, for example, replaced all 254 above-standard cars before 20 March and opened a file on each vehicle, which states clearly when it was bought or sold, when it was replaced, how it was disposed of, and to whom it was turned over.

There are many ways to dispose of above-standard cars, but many localities and units still have some cars sealed up for storage. Moreover, there are certain irregularities in the way in which some vehicles are disposed. The discipline enforcement and supervisory departments concerned must come up with more effective measures to solve these problems. Otherwise, corruption on the roads may make a comeback.

#### **Open Supervision: Keynote of 1995 Anticorruption Campaign**

On 1 February, the CPC Central Committee issued the "Provisional Regulations for the Selection and Appointment of Party and Government Leading Cadres." These regulations, first ever issued by the CPC Central Committee to specifically deal with the selection and appointment of leading cadres, are profoundly important for ensuring that personnel who both are competent and have a sound moral character are put in positions of leadership; for ending the improper trends in the appointment of personnel; for properly screening people who would one day assume positions of leadership; and for preventing the promotion of leading cadres, particularly top leading cadres, based solely on the word of just one person.

On 30 April the office of the CPC Central Committee and the State Council Office issued the "Regulations for the Report of Incomes by Leading Cadres in Party and Government Organizations Above the County Level." This move marks the very first time leading cadres are required to report incomes as part of the effort to promote honesty in government. As an anticorruption measure, the issue of these regulations is unprecedented

in China's history going back thousands of years. Under the regulations, leading cadres must report their incomes, thus setting a brand-new moral requirement that public employees must meet. Although the regulations do not amount to a "sunshine law" long anticipated by the public in that they do not cover all properties, they nonetheless constitute the first step toward putting together a "sunshine law."

That same day the two offices also issued the "Registration Regulations for Gifts Received by Workers in Party and Government Organizations during Domestic Transactions." These regulations were drawn up after reviewing existing rules on the acceptance of gifts and are more precise, detailed, and stringent.

On 11 May, the CDIC issued the "Opinions on Implementing the 'Four Regulations' Aimed at Ensuring Incorruptibility and Self-Discipline Among Leading Cadres in State Enterprises." Since the Second Plenum of the CDIC, the CPC Central Committee has made new demands on party and government cadres above the county departmental level to ensure their incorruptibility and self-discipline. The Fifth Plenum of the CDIC held in early 1995 took the unprecedented step of setting four requirements specifically targeting leading cadres in state enterprises. Among others, they shall not dispose of as their own, commissions and gifts received in the course of operating or managing an enterprise, go into business or run an enterprise on their own, or occupy more housing than allowed.

On 17 May the Ministry of Supervision, the State Economic and Trade Commission, and the All-China Federation of Trade Unions jointly issued the "Regulations on Reporting the Use of Business Entertainment Fees by a State Enterprise to its Workers' Congress." Miscellaneous expenses incurred by a state enterprise to receive guests and host other social functions as part of doing business have always been a leading incubator of corruption because they are hidden from view. Now, for the first time, the state has developed regulations that specifically require a state enterprise to report to its workers' congress how it is spending its entertainment funds.

On 20 July, the Ministry of Personnel issued the "Provisional Regulations on the Resignation and Dismissal of Government Employees." These regulations seek to put an end to the "iron rice bowl" and the only-entry-no-exit problem plaguing the existing cadre personnel system. This is an immensely significant move in that for the first time regulations are laid down to rid the ranks of public employees of unqualified cadres.

In July, the State Council approved and transmitted the "Key Issues in the Implementation of Economic Struc-

tural Reform in 1995" prepared by the State Restructuring of the Economic System Commission. One such key issue is to actively explore the possibility of introducing a personal income and expense note and a bank deposits real name system. Not only would they be major measures in the economic arena, but they would also go a long way toward cleaning up the party style and promoting an honest government. Moreover, their implementation would pave the way for the formulation and implementation of a "property and income reporting law" in China. Meanwhile, a string of laws, regulations, and systems intended to improve the party style and bolster honesty in government either are in the research, verification, or drafting stage or are being sent to the authorities for examination and approval. They include the "Incorruptibility in Party Style and Government Responsibility System," "Reporting System for Major Events by Leading Party and Government Cadres," "Incorruptibility Standards for Party and Government Cadres," "Intra-Party Supervision Regulations," "Property and Income Reporting Law," and "Administrative Supervision Law."

The year 1995 has been more than a banner year in the history of the PRC's anticorruption campaign. It has also been important for laying the foundation of an effective bulwark against corruption. It was in 1995 that people came to realize even more clearly that corruption must be fought at its root and that only in the sunshine of open supervision would corruption wither.

## **Science & Technology**

**PRC: China Develops Supercomputer System**  
*OW3001082096 Beijing XINHUA in English*  
*0725 GMT 30 Jan 96*

[FBIS Transcribed Text] Xian, January 30 (XINHUA) — China recently developed its PAR 95 super parallel processing computer system with an operation speed of 3.2 billion computations per second.

The system was developed by the China Aviation Institute of Computing Technology.

With a storage capacity of 400 megabites, the system surpasses the Dawn 1000 parallel processing system as the fastest of its kind in China.

The Dawn 1000 was developed last year by the National Intelligent Computer Center and has a calculating speed of 1.58 billion operations per second.

The system is especially useful in fluid mechanics in the aviation industry, meteorology, and seismic testing or oil prospecting.



**PRC: Research Institute Builds Parallel Computer System**

*OW3001143396 Beijing XINHUA Hong Kong Service in Chinese 0123 GMT 22 Jan 96*

[By reporter Wang Shihuan (3769 0013 3562)]

[FBIS Translated Text] Xian, 22 Jan (XINHUA) — After five years of research, China Aeronautics Computer Technology Research Institute [CACTRI] scientific and technological personnel have developed and manufactured an expansible [ke shen suo 0668 0135 4799] parallel supercomputer system called PAR95.

The computer system was approved at a recent appraisal meeting in Xian by experts organized by the China Aeronautics Industrial Corporation.

This is another supercomputer system developed and manufactured by China following the development of the Galaxy II and Dawn-1000 supercomputers. It indicates that China's computer technology has reached a new level.

The PAR95 parallel supercomputer system was China's key scientific and technological research project during the Eighth Five-Year Plan period (1991-95). Since the nineties, parallel computers have been the hot target of research by computer circles in various countries, representing the level of a country in computer research and manufacturing and reflecting the strength of a country in the 21st century.

CACTRI scientific and technological personnel began the research and manufacture of this system in 1991. During the process, they overcame key technical difficulties in junction and network design, parallel system software, and applied calculation methods, thus elevating China's level in the research, manufacture, and application of supercomputers.

According to a briefing, a parallel computer system is a highly efficient system that performs its work with the help of many computers. The PAR95 supercomputer system is composed of a main computer, an interface handling device, and parallel computers, which consist of 40 same-type computers linked by a two-dimension network. The supercomputer system's calculation speed can reach 3.2 billion calculations per second, which set a new record in calculation speed for computers developed by China on its own. The system has a storage capacity of 400 megabytes, and its frequency is 40 MHz [figures as received].

The system has a complete set of software that can provide complete support for parallel programming and debugging. The system, able to calculate and send out signals simultaneously, is practical and easy to use.

Appraisal Committee experts maintained that the PAR95 supercomputer system's development and manufacture not only is of great importance to the development of large-scale aeronautic calculations and fluid dynamics in China but also has high application value in the fields of meteorology, seismology, and petroleum prospecting, which require highly efficient computers. The technical level of this system has reached the world's advanced level in the nineties.

**PRC: Optical Fiber Telecom Research Center Begins Operation**

*OW2601140396 Beijing XINHUA in English 1322 GMT 26 Jan 96*

[FBIS Transcribed Text] Beijing, January 26 (XINHUA) — The State Optical Fiber Telecommunications Technology Engineering Research Center (SOFT-TERC), in Wuhan City, received final approval and began operation today.

An official with the Ministry of Post and Telecommunications said that the center goal is to put China's scientific achievements in telecommunications into production, and encourage follow-up research on optical fiber technology.

The research center has developed manufacturing facilities for photoelectric terminals, optical fiber and cables, and photoelectric elements, since it opened in 1992. This gave it a good foundation for developing telecommunications technology during the Ninth Five-Year Plan (1996-2000), the official noted.

The center has completed more than 2,000 application projects, and developed more than 80 kinds of special integrated circuits over the past three years, with a two billion yuan output value.

The official said that the center has been involved in a number of key projects in China. All optical transmission equipment models of China's trunk lines, the Beijing-Shanghai optical cable and the Beijing-Wuhan-Guangzhou optical cable, are products of the center.

Today's evaluation was done by experts and scholars from the Post and Telecommunications Ministry, the Chinese Academy of Sciences, and several universities.



**PRC: Beijing Establishes Satellite Positioning System Center**

**OW3001135396 Beijing ZHONGGUO XINWEN SHE in Chinese 1310 GMT 22 Jan 96**

[By correspondent Wang Yingde (3769 2019 1795)]

[FBIS Translated Text] Beijing, 22 Jan (ZONGGUO XINWEN SHE)—In the process of developing its information highway, China has pursued the latest international technology, resulting in the rapid development of satellite global positioning system (GPS) technology, which is being used in many departments in China. The Beijing Aerospace University's GPS Applied Technology and Engineering Development Center was established here today. The center will be used for training experts and technological development in China's GPS field.

The GPS is capable of providing various global, all-weather, and high precision information 24 hours a day as well as positioning and tracking multiple targets. The Beijing Aerospace University is China's first key aerospace institute. Since the late seventies, the university started conducting a large volume of fundamental and application research on GPS-related technology and to contract large-scale engineering projects. The university is a national leader in technological standards.

To promote economic construction, the Beijing Aerospace University has made achievements in studying and developing GPS technology. The achievements include satellite global individual positioning equipment, electronic maps of large cities nationwide, and electronic maps of all state and provincial roads. The university has a great amount of technological reserves for applying GPS technology in monitoring various special vehicles, such as bank cash transportation vehicles; rapid command system of urban public security; protection of important organizations and positions; urban traffic control; and monitoring train operations. The university has also contracted for producing a GPS police report and command system for Henan's public security system.

The university's applied GPS can form a unified network over a large area, with the capacity of reaching a few hundred targets and positioning precision reaching within 10 meters. The system uses telephone audio for automatic police reports and large-screen displays for its control center, raising the rapid reaction capability for handling emergencies and efficiently protecting the safety of state and people's property. Currently, GPS technology has displayed its bright development prospects in China.

**PRC: Inner Mongolia Runs Trial Communication Line Operation**

**SK2901053896 Hohhot Inner Mongolia People's Radio Network in Mandarin 1100 GMT 28 Jan 96**

[FBIS Summary] The SDS digital transmission communication lines, the longest and technologically the most advanced optical fiber communication trunk line in our region, were built and also went into trial operation a few days ago. This communication lines are 4,061.3 km in length, starting from Hulun Buir League's Hailar city in the east and stretching west to Ih Ju League's Otog Banner via nine leagues and cities, including Hinggan League, Jirem League, Chifeng city, and Hohhot city. The total investment in this project reached nearly 200 million yuan, including foreign loans worth \$10 million. The project began construction in August 1995 with its equipment mainly imported from Finland and Israel.

**Military & Public Security**

**PRC: Public Security Forces To Hold Exercises Near Hong Kong**

**HK3101082996 Hong Kong MING PAO in Chinese 27 Jan 96 p C1**

["Special Dispatch": "Frontier Public Security Forces in Shenzhen To Hold Maritime Review Close To Hong Kong Waters Today To Improve Capability To Suppress Smuggling"]

[PTS Translated Text for FBIS] To demonstrate its capability, China's frontier public security forces will hold a large-scale maritime review today in Dapeng Bay close to Shenzhen's Yantian Port. A Shenzhen public security official indicated that this is only a routine exercise of no particular significance. As the inspection is to take place quite close to Hong Kong waters, China's Public Security Bureau has informed Hong Kong of this planned exercise and Hong Kong's Marine Police will dispatch patrol vessels to guard Hong Kong waters.

At 0900, China's frontier public security forces will send eight armed patrol vessels and three speedboats for inspection by provincial and city leaders in Dapeng Bay. At that time, a fleet of vessels will cruise from Xiaomeisha to Dapeng Bay and will fire a gun in Yantian.

An official from the Border Section of the Shenzhen Public Security Bureau told this reporter that the inspection is only a routine exercise without any special intentions and similar exercises had been conducted before. The Hong Kong Police have been informed of today's exercise because its location is close to Hong Kong's waters, to which it is not meant to pose a "threat."

Yesterday, the Marine Police bases of the Guangdong Border Defense in Xiaomeisha, Shenzhen, were white-washed yesterday and have two large balloons hoisted on the roof. Four 100-foot coast guard vessels were berthed at a wharf and eight to 10 fishing boats involving in smuggling were detained in the base's waters.

Through the liaison department of the Shenzhen Border Defense, China has informed the Hong Kong Government that there is to be a maritime review, indicating that the Hong Kong Marine Police's several visits to China last year bore fruit and that a poisoned atmosphere between the Hong Kong's Marine Police and China Public Security Bureau resulting from the latter's intrusion into Hong Kong waters has improved.

It is understood that early this month the Hong Kong Government has for the first time been informed by the Shenzhen Public Security Bureau that it will conduct exercises for armed vessels near Hong Kong waters on 27 January. The location is in the vicinity of Jiao, Dapeng Bay in northeastern Hong Kong. In response to China's exercise, the Hong Kong's Marine Police will also take the necessary measures and send three patrol vessels to guard the waters around Tong Ping Chau.

Similar exercises near Zhuhai were also broadcast on Shenzhen's television last Sunday. Attended by provincial and city leaders at various levels and high-ranking cadres, the exercises staged by the frontier public security were aimed at raising their capability to suppress smuggling.

#### PRC: Chengdu Division Tries Out Offensive Methods

HK2901072296 Beijing JIEFANGJUN BAO  
in Chinese 5 Dec 95 p 2

[By Wang Libong (3769 7812 4767), staff reporters Li Xuanqing (2621 6693 3237), and Xu Wenliang (1776 2429 5328): "Advance Toward Zhegushan — Summary of Chengdu Military Region Division in Implementing New Methods of Operation for Attacking High-Altitude and Cold Mountainous Areas"]

[PTS Translated Text for FBIS] It was an autumn day in the highlands when a Chengdu Military Region division finished its ground drills on waging offensives against enemies who had put up defensive positions in high-altitude and cold mountainous areas. A feeling of great joy crossed the mind of Division Commander Liu Zhenggang [0491 2973 0474] as he saw the triumphant return of the motorized units.

Before the "combat" commenced, he had received a telephone call from Beijing, and was told that the fruits of research by the division on its new method of

operation in extremely cold high mountainous areas had just passed appraisal testing by experts and that many of the items in the 11 new training outlines compiled by the division had been included in the "Military Training Program" for the fourth generation of the People's Liberation Army (PLA).

Do you have any idea how much effort the units, command posts, universities and colleges, and research units have put in to produce these good results?

#### In Order To Conquer the Highlands, We Must First Conquer Ourselves

After the division completed the test exercise on motorized troop movement in extremely cold high mountains entrusted by the headquarters in 1991, the leading members of the division's party committee reviewed the progress of the drill. They had an overall review of the data and video tapes of the drill, and found to their dismay how they got bogged down on a mountain 3,100 meters above sea-level. They could not move. It took them nine hours to complete a 60-kilometer journey. They could not communicate. The division could not communicate with the regiments, and the regiments could not communicate with the battalions. They could not hide. The motorcade "was a long conspicuous string when it was on the move and was a large conspicuous patch when it stopped...."

More than 400 training experts put their heads together to find out where the crux of the problem lay, and over 800 soldiers were invited to give their views on the training.

Their investigations located "seven major bottlenecks" that impeded the improvement of training quality and the generation of fighting strength. These "bottlenecks" included the tendency to stress training grounds at the expense of battlefields, to stress past experience at the expense of future needs in the contents of training, and to stress methods of training at the expense of methods of operation. The reflections of these "bottlenecks" enabled the leaders of the division to soberly realize that "updating our ideas is just as important as updating our equipment." In order to win future wars, we must have the world in view; in order to conquer the highlands, we must first conquer ourselves and overcome the "vignette" left by past glories in our minds.

They took the ability to "set off without pre-war reinforcements and fight without pre-war training" as the "yardstick" of training reforms, and mapped out a basic program of reform which "proceeds from methods of operation, from the top to bottom, and from combined tactics." Some 200 crack units were organized to revise the existing training outlines by making substantial



"additions, deletions, mergers and modifications" to them based on the idea of "conducting training with the requirements of future wars in mind."

### **The Enemy Is Strong, But We Are Even Stronger**

In 1993, headquarters selected the division as one of the key units to experiment with the training reform. That year, the training reform carried out by the division on its own initiative got bogged down in a cycle of low-level duplications. For a long time, it pirouetted on questions of combination of tactics, such as "where to make breakthroughs, how far should different echelons be placed, and what is the favorable moment for joining the fighting."

They looked to National Defense University, Nanjing Army Academy and other military academies for assistance. Twelve military academies dispatched 26 experts and academics to assist in the reform. Professor Wang Kefu [3769 0668 1133] made the following enlightening comment at a meeting to review the tasks of reform: "Methods of operation determine the tactics, and theories guide the methods of operation. We are 'marching forward without a destination' if we conduct studies on methods of operation and conduct tactical reform without the guidance of advanced military theories."

Professor Wang Kefu and three theorists went to the combined tactics task force to give a systematic introduction of contemporary military theories and new viewpoints on theories of offensives of foreign and Chinese armies. Under the guidance of theorists, this task force freed itself from conventional ways of thinking and developed a new method of operation which stressed the need to "make breakthroughs in key areas, make repeated onslaughts, and launch attacks in depth and breadth."

The "sparks" produced by the "clash" between theorists and practitioners threw light on the future course of training reform for the division. The division realized that it must take as its aim the strategic principle for the new period, take studies on methods of operation as the primary task, give prominence to the achievement of "a thorough grasp of three aspects," use methods of operation to guide tactics, and take as the criterion of training reform the concept of "the enemy is strong, but we are even stronger...."

Like pieces of stone producing ripples when thrown into the pond, the participation of theorists in training grounds have produced a "galaxy" of achievements in reform. In the course of one year, the division produced 180 research papers on methods of operation. Studies on methods of operation were elevated from a purely academic level to a practical level because they were

directly put into application in training. A "Military Training Program" and a set of teaching materials and teaching plans that meet the needs of different levels and different arms and services were produced.

### **Our Platform Must Be Commensurate With Our Skill**

When the fully-equipped division moved in full force to the Zhegushan to transfer the fruits of training reform from training grounds of today to battlefields of tomorrow, the road to the highland was blocked by an early snow.

The Zhegushan, 4,100 meters above sea level, is a natural barrier which lies between the basin and the highland. The oxygen content of the air is only 60 percent that on the sea level. The journey is a "line of life and death" made up of 110 ice-bound turns.

In order to temper the division into an "iron fist" that can "get into action as soon as it receives the order," command posts from the three headquarters and the military region level down to the group army level gave their all-out support to the division's training reform. In the words of a leader of the military region: "Our platform must be commensurate with our skills."

The training outline produced by the division after the reform requires that the division shorten its duration of training from three years to one year. Using the new method of operation as guidance, the idea of "training with the needs of combat in mind" was embodied in the content of training and the organization of training. This not only called for restructuring at every level, from combined forces to individual arms, from tactical units to technical units, from individuals arms to individual services, but required that "surgeries" be carried out in the establishment of new systems. This was not something that could be decided on by the division itself. Commanders at all levels had come to the following consensus: Since the training reform to be carried out by this division involves the whole division, some "injuries in the sinews or bones" in methods of training and establishment are inevitable. In order to ensure that the division could implement the new method of operation under the condition of "two high," headquarters gave the division approval to organize adjoint support units that may be "summoned or removed at a moment's notice" to ensure the division with adequate logistics support wherever it was. In this way, the reform realized the objective of "achieving functional purposes by making structural adjustments," and made breakthroughs by "determining the structure according to functional requirements" and "building the army with future combat requirements in mind."



The division made new breakthroughs in its studies on methods of operation by conducting drills on the Zhagushan. More than 100 experts on methods of operation from the Chengdu Military Region went to the site of the drill and conducted proof and demonstration there. Their endorsement raised the theoretical level of the new method. Shortly afterward, the military region held a meeting to promote the fruits of training reform of that division. The meeting systematically summed up the division's experience in reform over the past four years, reported the fruits of reform to headquarters, and popularized the new method to units throughout the military region.

**PRC: Military Research Benefits Localities  
1990-1995**

*HK2901071696 Beijing JIEFANGJUN BAO  
in Chinese 16 Dec 95 p 1*

[Report by Chen Haibo (7115 3189 3134) and Cheng Wanjun (4453 8001 6874): "Giving Play to Superiorities, Assisting People with Science and Technology"]

[PTS Translated Text for FBIS] On the premise of accomplishing scientific research, education, and training tasks, units of the State Commission of Science, Technology, and Industry for National Defense (COSTIND) have vigorously carried out activities assisting people with science and technology, actively contributed to national economic construction, and scored marked economic and social results by giving full play to personnel, technological, and equipment superiorities in the Eight Five-Year Plan. The units concerned have transferred more than 3,000 scientific and technological research results to localities, helped local factories, mines, and enterprises tackle more than 500 scientific and technological research bottlenecks, and trained more than 30,000 technical personnel of all types, thereby greatly pushing forward national and local economic construction and scientific and technological development in the localities concerned.

By helping local factories, mines, and enterprises tackle scientific and technological research bottlenecks and train technical personnel, the units concerned have scored fruitful results in assisting local people with science and technology, this being an important means of assisting local people. For instance, a certain unit stationed in the northeast has helped Inner Mongolia's Ulan Hot Iron and Steel Plant build an automatic furnace temperature control system, thereby raising the plant's annual profits by almost one million yuan. COSTIND's Engineering Design and Research Institute has built a sewage treatment system for a hangar housing four aircraft at Capital Airport, a key Eighth Five-Year Plan project, thus fundamentally resolving sewage disposal

problems hampering the airport's aircraft maintenance and repair work. National Defense University of Science and Technology developed, manufactured, and installed a large computer called "Galaxy-2" at the State Meteorological Center in July 1994, thereby significantly improving the country's weather forecasting. A certain research institute developed an "instant seismic data treatment system" in one year by mobilizing all scientific and technological personnel concerned, thus filling a gap for the country in this domain.

Thanks to a lot of advanced scientific research equipment COSTIND possesses, apart from meeting national defense-oriented scientific and technological research and experimentation needs, units concerned have spared no effort to provide local economic construction with quality services by tapping latent potential. A certain research institute has applied nuclear energy technology to many fields, enabling nuclear energy technology to play a special role in areas like high polymer materials transformation, ancient cultural relics verification, crystal coloring, improved crop strain selection, and so on. China Aerodynamics Research and Development Center has carried out resistance reduction tests for all types of PRC-made aircraft, automobiles, and high-speed trains by using Asia's largest wind tunnel, thereby contributing to the country's aeronautics and astronautics industries, auto industry, and scientific research. By bringing into full play its own rich information resources, National Defense Scientific and Technological Information Center has earnestly provided enterprises within and outside of the army with scientific and technological information, materials and consulting services, done a great job of bridging work aimed at shifting military enterprises to civilian lines of production, generated economic results totalling almost 10 million yuan for local enterprises, and raised local paddy rice output by more than 500 million kilograms in the past five years.

**PRC: Commentator Extends 'Warm Welcome' to  
New Recruits**

*HK3001035796 Beijing JIEFANGJUN BAO  
in Chinese 20 Dec 95 p 1*

[Commentator's article: "Warm Welcome to You, New Comrades-in-Arms"]

[PTS Translated Text for FBIS] Dear new comrades-in-arms, at a time when the country's armed forces and people are conscientiously implementing spirit of the Fifth Plenary Session of the 14th CPC Central Committee and striving to fulfill the Chinese nation's grand blueprint straddling the century, you have answered the motherland's call by arriving at the barracks from all over the country. We wish to extend a warm welcome to you!

It is the highest honor to become a People's Liberation Army (PLA) soldier. Under the new situation of reform, opening up, and socialist market economic development, you have placed the motherland's interests above anything else, chosen to bear hardships, and decided to undertake the sacred duty of defending the motherland by joining the military service and serving the motherland. You have displayed the contemporary youth's lofty thoughts, feelings, and aspirations. Your arrival has added a new force to the people's army and made the great motherland's great wall of iron and steel even stronger.

The PLA is a CPC-led people's army with a glorious history and fine traditions. When you enter an honor room displaying martyrs' heroic deeds, you will be filled with a feeling of profound respect for those heroic units. After you enter this big, warm family, you will deeply feel intimate and fraternal affection among officers and soldiers. When people look at you with trust and admiration, you will feel proud of being a soldier.

The army is a big school that trains qualified personnel and fosters heroes. Communist soldier Lei Feng; outstanding cadre Su Ning, who thought about, studied, and built modernization; and heroic soldier Xu Honggang, who defied brute force, displayed awe-inspiring righteousness, and readily took up the cudgel for a just cause, were trained and nurtured in this big school. Batch after batch of outstanding youth have been "smelted" and turned into "quality steel" in this big school. They have now become a backbone force in the country's various trades and professions and on all fronts. As long as you are strict with yourselves, study hard, and willingly undergo rigorous training, you are bound to accomplish a lot.

New comrades-in-arms, you will undergo a transformation from an ordinary youth to a qualified soldier in your forthcoming military career. We hope that you will treasure limited time, firmly take each and every step, arm the mind with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, cultivate a correct outlook on life and value, strive to meet Chairman Jiang's general requirement to be "politically qualified, enhance military competence, develop a fine style, enforce strict discipline, and provide a strong guarantee," work hard to become a revolutionary soldier known for lofty ideals, moral integrity, cultural accomplishments, and a sense of discipline, and devote your light and heat to the army's revolutionization, modernization, and regularization and to the country's reform and construction.

New comrades-in-arms, we wish you happy life, smooth progress, and healthy growth in the barracks!

**PRC: Commentator Praises Model Army Doctor**  
*HK2901065696 Beijing RENMIN RIBAO in Chinese*  
8 Jan 96 p 1

[Commentator's article: "Utter Devotion to Others Without Any Thought of Self"]

[PTS Translated Text for FBIS] "As long as there is 1 percent hope for a patient's survival, the doctor must exert 100 percent effort to strive for the patient's life." This is the doctrine for practicing medicine that Wen Duansheng [3306 4551 3932] abides by. Although Wen Duansheng has a 100-percent success rate in surgical operations, he always regards every operation as his first and is very meticulous. To exert 100 percent of one's efforts to cure a patient who has only 1 percent hope for survival, exert one's own 100 percent to deal with the patient's 1 percent, enlarge the patient's interest while regarding it above all else, concentrate one's ability, ideas, and feeling while focusing 100 percent of them on one point, namely to relieve the patient's pain — what do we call such spirit? It is precisely utter devotion to others without any thought of self; it is precisely serving the people heart and soul; it is precisely standing tall in medical service and constantly perfecting one's skill. The combination of such great spirit of devotion with outstanding medical skill has turned Wen Duansheng into a brilliant Bethune-like communist fighter.

According to some comrades, what we should be pursuing today is the socialist market economy and talking about is competition and exchange of equal value, and the spirit of utter devotion to others without any thought of self advocated long ago may be phased out. This is a mistake. True, attention must be paid to competition and exchange of equal value in building the socialist market economic system, but the purpose is to oppose egalitarianism and eating from "one big pot," and to give play to people's enthusiasm to promote the development of productive forces so that all people will live in greater prosperity, in a more civilized way, and more in conformity with the principles of socialism. There are essential differences between the competition of the socialist market economy and that of the capitalist market economy, which follows the law of the jungle. By no means should we equate competition in the socialist market economy with the commercialization and marketability of human relations; by no means should one forget honor at the sight of money and "look forward to money in everything." The socialist market economic structure is closely connected with the basic socialist system in China, and with the party's basic aim — serving the people heart and soul. In the course of building the socialist market economic structure, it is imperative to adhere to the principle of "doing two types



of work simultaneously and attaching equal importance to both" with regard to building socialist material civilization and spiritual civilization; it is imperative to advocate and guide people in establishing a correct outlook on life and values while opposing any decadent outlook on life and decadent values.

In the famous article "In Memory of Norman Bethune," Comrade Mao Zedong indicated that Comrade Bethune's spirit, his utter devotion to others without any thought of self, was shown in his great sense of responsibility in his work and his great warm-heartedness toward all comrades. This spirit of utter devotion to others without any thought of self was called for in wartime; it is also called for during periods of construction, for it is the spiritual lifeblood for our cause to develop and prosper.

**PRC: Article Views Military Aircraft Development**  
*HK2601091696 Hong Kong KUANG CHIAO CHING in Chinese 16 Nov 95 No 278, pp 70-72*

[Article by Hsiao Yu-sheng (5618 7183 3932): "China's New-Generation Main Military Aircraft"]

[PTS Translated Text for FBIS] **China Displays Its Latest Achievements in Military Aircraft Development**

At the "Exhibition of Aviation Preliminary Research [yu yan 7315 4282] Achievements Under the Eighth Five-Year Plan," held in Beijing in August this year, China Aviation Industry Corporation (AVIC) demonstrated the latest scientific and technological advances that AVIC has made in the development of military and civil aircraft during the period of the Eighth Five-Year Plan. The audience were members of the CPC Central Committee's Political Bureau and high-ranking generals of the three armed services of the People's Liberation Army.

The visitors were told that over the last five years, China's aviation industry has made major breakthroughs in some key technologies related to aircraft and airborne equipment, such as aircraft system design technology, aircraft autocontrol technology, advanced materials, and manufacturing technology; and that these advances are to be applied to the development and production of new, China-made aircraft during the period of the Ninth Five-Year Plan.

**China, Russia, and Pakistan Jointly Develop FC1 Fighter Jets**

Chengdu Aircraft Industry Company (CAIC), based in Sichuan Province, China, is China's second-largest fighter production base. It is also an aircraft manufac-

turer with the country's most sophisticated research and production equipment at the moment. This company is currently cooperating with Pakistan's Aviation Integrated Company [hang kong zong he gong si 5300 4500 4844 0678 0361 0674] and Russia's Mikoyan Aero-Science Production Group [MASPG] in the development of the FC1, a lightweight multipurpose fighter plane.

The FC1, as a substitute for the Super-7 in the same development program, is being developed with joint investments from China National Aero-Technology Import and Export Corporation (CATIC), which is a subsidiary of AVIC, and the Pakistani party by way of self-financing. The products are mainly for export and to replace the 120 F7M/P fighters currently in service in the Pakistani Air Force. CATIC also hopes that the Chinese Air Force will use this type of aircraft.

At present, this new aircraft development program, with a total investment in excess of \$500 million, has entered the stage of final design. The first flight is expected in 1997 and delivery to the Pakistani Air Force is scheduled for 1999. However, as the date for the first flight is drawing near, CAIC is finding itself in a very awkward dilemma.

Initially, CAIC and CATIC had hoped that the FC1 would be a high-performance, low-cost, low-grade fighter plane to supplement the F10 high-mobility air superiority fighters jointly developed for the Chinese Air Force by AVIC and Israeli Aircraft Industries (IAI).

But the participation of MASPG has changed the situation. The Russians are actually using the FC1 as a technical continuation of the R33 program that they developed 10 years ago. Like the MiG-33, the FC1 will be using the Zhuk pulse Doppler radar and RD93 turbofans (the RD33 boosted thrust type). The difference is that the latter's air inlets are moved from the ventral to the lateral sides of the fuselage. Because the Russian-made high-performance engines are to be used in place of the U.S.-made F404, which is part of the original design package, CAIC had to redesign the fuselage structure to accommodate the new engine.

The Pakistani Air Force, as the main investor, also regards this an opportunity to upgrade the overall performance of the FC1. With the help of Russian experts, the redesign of the FC1 has significantly improved the product's climbout performance and steering capabilities and the redesigned fuselage is also much stronger. The most obvious change is the repositioning of the ventral fins from the engine compartment to the added tail edgings. This design will enable the product's air mobility to match that of the F16.



The improvement of the aircraft's overall performance has also effected price changes. If the final order of this aircraft is less than 300, the unit price will rise from the original \$10 million to \$15 million. Therefore, CATIC is trying very hard to persuade the Chinese Air Force to use the FC1. But from the point of view of the military, to equip the Air Force with two types of fighter planes with similar performance within the same period would not only consume limited financial resources, but also bring confusion to the logistics system.

### **The New F10 Fighters**

The greatest threat that might stop the FC1 from becoming part of the Chinese Air Force's fleet seems to come from F10 fighters made by the same company. As a technical continuation of the IAI's advanced "Lavi" [shi 3740] multipurpose fighters, the F10 will be China's first military aircraft using widened static stability active control design and combat damage tolerance design.

To date, the following products are there to prove that the military cooperation between China and Israel has had a long history: the PL8 omnidirectional air-to-air fighting missiles, the T69/79 106-rifled tank gun, a variety of advanced military airborne systems, and the F10 fighter.

Though sources are not available to provide the relevant details, one can be certain of this: The two sides started liaison at the beginning of the 1980's and their full-scale cooperation was underway officially by 1984. The Chinese side named the program "No. 10" project. In 1987, out of fear that "Lavi" fighters would threaten the export market of the U.S. F16 and F18, under U.S. pressure, Israel announced the suspension of the development of this aircraft. After that, it was taken over by the CAIC and the IAI carried on with the development of avionic equipment.

Because when Israel was drawing up the "Lavi" program, it planned to use mature U.S. scientific and technological achievements, and it had subcontracted to U.S. companies: the PW1120 engine project that it was not in a position to develop; the projects that it would not be able to develop because of technological inadequacies, namely, composite wings and flight control computers; and a project that was not cost-effective to develop by itself, namely, the generator. China simply cannot obtain these key technologies from the United States under any circumstances, which has consequently increased the technical difficulties of the F10. In particular, the military turbofan technology has always been a technical stumbling block for China.

There is also a certain amount of difference between the two sides as far as requirement for aircraft performance

is concerned. Because it already has advanced fighters at the F15 and F16 levels, the Israeli Air Force sees two tasks for the "Lavi," the primary one being short-range air support and interdiction and the secondary task being air superiority. These tasks demand that this aircraft have such features as excellent mobility, quick breakthrough capability, and single-run bombing accuracy. However, the Chinese Air Force has many outmoded F6 and F7 fighters that need replacing, so for them, air control capability to obtain air superiority is top priority while a certain level of air-to-ground attack capability is also required.

Because neither China nor Israel is capable of developing the propulsion system required by the F10 at this stage, China decided in 1991 to introduce AL31F turbofans from Russia to incorporate into the F10 fighter. This engine is also the propulsion system for the Su-27 heavy air superiority fighter that the Chinese Air Force is equipped with.

Because the AL31F's overall performance is significantly better than that of the PW1120, it can be inferred that the performance of the F10 will be greatly refined.

The F10 uses delta wing canard configuration which ensures aircraft stability with widened static stability active control technology. The deep burial of the engine and the extensive use of composite materials for wing-fuselage fusion design reduce its radar signature. This aircraft uses control-figured vehicle design and nine independent control planes: two forward wings, two forward wing flaps, two inside elevons, two outside elevons, and one vertical rudder, which are all controlled by a four-margin [si yu du 0934 0151 1653] electric drive operating system. Therefore, this aircraft has excellent air mobility.

Since the F10 project was launched on a full scale in 1987, thanks to the unremitting efforts of Chinese and Israeli scientists, the following technical difficulties have been successfully resolved: all-composite wings (with extra space inside the wings for fuel storage), four-margin electric drive operating system, and advanced airborne electronic equipment. Now they have entered the stage of prototype general assembling and the first flight is scheduled for 1996 and delivery to the user within two years. Compared with F6 and F7 fighters now in service with the Chinese Air Force, the technology of the F10 fighters, using a large amount of advanced aerospace technology, is almost two generations ahead.

**The "Takeoff Program" Has Entered Implementation Stage**

From 11 to 15 October 1994, Premier Li Peng and General Liu Huaqing, vice chairman of the Central Military Commission, conducted a five-day inspection tour of the Shenyang Aircraft Company (SAC). They also announced that the "Takeoff Program" for overall revitalization of China's aviation industry has entered the implementation stage.

The two major forces behind the "Takeoff Program" are: co-production of Su-27 all-weather heavy air superiority fighters and production of MD-90-30 twin-engined medium and long-distance passenger aircraft under license from McDonnell Douglas Corporation of the United States.

At present, there are about 50 Su-27 fighters serving in the 3d Fighter Division of the Chinese Air Force. According to the "Sino-Russian Agreement on Military Technology Cooperation" signed between the Chinese and Russian governments in August 1993, the two sides are to set up a large joint-venture ordnance enterprise on the basis of the SAC to provide modern combat aircraft and other weaponry and equipment for the Chinese armed forces. This is set to be the biggest military technology cooperation project since the founding of New China and the first Chinese-foreign ordnance joint venture since the beginning of reform and opening up.

**Assembling Su-27 Fighters**

The SAC is expected to assemble 40 to 60 Su-27's within three years, with all the parts to be supplied by the Russian side. The Russian side will provide technical support and gradually upgrade the SAC's manufacturing sophistication. It will also assist the Chinese side in achieving total domestic production of the Su-27. This program has been named "No. 11" project.

As one of the most combat-effective varieties of the third-generation fighter planes in the world, the Su27 is superior to the F16 and Mirage-2000 in terms of overall performance and is on a par with the F15. The technical sophistication and manufacturing sophistication of this aircraft are 15 years ahead when compared to the capabilities of the SAC. The production of these Russian-made fighters representing the world's best will help China's military aviation industry achieve the "takeoff" faster. At the moment, the Chinese and the Russians are discussing the possibility of coproducing the Su-35, the latest successor of the Su-27.

Besides carrying on with the improvement of the F8 series and the licensed production of the Su-27, the SAC is now engaged in preliminary research for the "No. 12"

project, i.e., the development of the Chinese Air Force's main fighter aircraft for the 21st century.

Because the Chinese military have definitely designated the Su-27 and the F10 as their new-generation main fighter aircraft, rivalry over the initiative of the development of China's future fighters will continue between CAIC and SAC.

**The Development of B7 Fighter in Xian Has Been Slow**

By contrast, the development of China's new-generation bombers is not as exciting. Xian Aircraft Industry Company [XAIC], based in Shaanxi Province, is turning out the new B7 supersonic fighter-bombers for the Chinese Navy at the slow speed of two aircraft per month. Coming into service with the Chinese Navy's air arm in 1992, this twin-engined, two-seat, swept-back high mounted wing supersonic fighter-bomber, which looks like Britain's "Tornado" attack plane, has indeed provided the Chinese Navy with unprecedented rapid attack capabilities.

However, because the WS9 turbofan (modelled on Britain's MK202) that the B7 uses does not have enough thrust (with boosted thrust at 9,305 kg per engine), the maximum bomb-carrying capacity of this large fighter with a maximum takeoff weight of 27 metric tons is only five metric tons, far less than that of foreign aircraft in the same class.

At present, the XAIC plans to use Russian-made engines and advanced composite materials to improve the B7 and equip it with terrain-tracking radar and electronic countermeasures equipment. The company is hoping the improved B7 will replace the outmoded B5 and A5 attack planes.

But because the F10, which is being developed at the moment, is a fighter-bomber itself, with a maximum bomb-carrying capacity of design at 6.8 metric tons, and the Su-27 also has tremendous air-to-ground attack capabilities and a bomb-carrying capacity of nearly 6.5 metric tons, the B7 may not be able to enter service with the Air Force in the end because of logistic and funding considerations. It will become the first fighter jet designed exclusively for the Navy in China's aviation history.

No matter what happens, the Chinese Army will be the biggest winner. One can imagine that within 10 years, the air strike power comprising the F10, the Su-27/35, and the B7 will provide China with strong military backing in Asia-Pacific.



**PRC: Correction to PRC To Hold Military Exercises**  
**HK2601093596**

The following correction pertains to an item headlined  
"PRC To Hold Military Exercise 'After Spring Festival'" published in the 25 January China DAILY REPORT on pages 21-22:

Page 21, column two, fifth full paragraph, only sentence make read: ...outweigh Li and pro-independence forces in a... (changing "pro-democracy" to "pro-independence")



**General****PRC: Working Conditions in Foreign-Funded Firms Viewed***OW3101111596 Beijing XINHUA in English  
1029 GMT 31 Jan 96*

[FBIS Transcribed Text] Shanghai, January 31 (XINHUA) — Song Shucheng, an employee of a Sino-American enterprise here, was overjoyed that his proposal for reforming the No. 7 signaling network had been accepted and put into practice.

The Shanghai Bell Telephone Equipment Manufacturing Co., Ltd., where Song is working, has appointed him to take charge of the project, and increased his wages.

"All our rational and useful suggestions and views arouse the enthusiasm and interest of the general manager and officials because the development of the enterprise is linked to the interests of every employee," the 34-year-old Song said.

At present, more than 600,000 Chinese personnel are working at over 12,000 foreign-funded enterprises from 77 countries and regions in this, China's largest economic center.

Although some overseas-funded enterprises have dismissed workers, almost no employees feel threatened, but instead, agree with "strict management", which can ensure the healthy development of a modern enterprise.

A worker at the cotton yarn workshop of the Shanghai Linglan Company accidentally changed the mix-up of cotton pulp, almost causing the enterprise to suffer a heavy economic loss.

According to the enterprise stipulation, she should have been fired. However, after making a thorough survey and consulting with the people concerned and technicians, the foreign manager found that she was very conscientious in her work, and that this was an accident.

He did not punish her but instead sent her to Japan for technical training. The worker is now one of the leading technicians in the enterprise.

In another case, a female employee who also worked at the Shanghai Linglan Company was fired just because of long absence from her post, pretending sickness.

Many employees in foreign-funded enterprises who used to work in state-owned enterprises agreed that the system of "eating out of the same big pot" in their previous enterprises has spoiled some people, who underwork but still receive the same pay as others.

"Foreign-funded enterprises differ from the enterprises owned by the state, and they have linked the interests

of enterprises with those of employees, rewarding those who work assiduously and punishing those who do not work hard," said Jin Zhongming, a young worker at the Garden Hotel, which is funded solely by Japanese businessmen.

The young man has been shifted to several work posts over the past two years, and he promoted rapidly and earned more for his diligent attitude.

As part of its effort to better train its employees, the Shanghai Bell Telephone Equipment Manufacturing Co., Ltd. has sent more than 1,000 of them to study modern management in the United States, Belgium, Singapore, Germany, Australia and Japan.

Some foreign investors show concern for the wellbeing of their employees and try to help them solve problems and make friends with them.

According to the Shanghai Municipal Trade Union Organization, the common goal of both foreign bosses and Chinese employees is to run their enterprise well. Though they come from different countries with different political systems and cultural backgrounds, they do understand, support and respect each other.

**PRC: Output of Nonferrous Metals Outlined***OW3001153296 Beijing XINHUA in English  
1312 GMT 30 Jan 96*

[FBIS Transcribed Text] Beijing, January 30 (XINHUA) — China turned out 4.25 million tons of copper, lead, zinc, nickel, aluminum, magnesium, titanium, antimony, tin and mercury last year.

This was revealed at a national four-day work conference on nonferrous metals which opened here today.

Statistics provided at the meeting show that last year the country witnessed a net increase of three million tons of all the ten nonferrous metals over 1981.

Of the total production last year, 2.35 million tons were turned out by enterprises directly under the China National Nonferrous Metals Industry Corporation, with income from sales exceeding 49.9 billion yuan, an increase of 27 percent over 1994, and pre-tax profits reaching 5.92 billion yuan, up 43.7 percent.

During the 1991-1995 period the country had a balance of supply and demand in the sector. Except for copper, all the rest was sold on the international market.

The production of copper last year was 843,000 tons, an increase of 23.3 percent over 1994 and believed the biggest growth rate among the ten nonferrous metals.

Of the corporation's total 1.8 billion US dollars-worth earned from foreign trade in 1995, 1.1 billion US dollars came from exports, up 57.37 percent over 1994.

Over the five years the corporation and its enterprises invested a total of 4.3 billion yuan in infrastructure construction and four billion yuan more in 20 key technology-upgrading projects.

More efforts will be exerted to restructure the product, capital and technology sectors and enterprise organization in the coming five years.

By the turn of this century the country is expected to turn out five million tons of nonferrous metals a year, and the industry is expected to set up 20 group enterprises.

**PRC: Chemical Projects Sited for 3 Three Gorges Area**

*OW2801020896 Beijing XINHUA in English*  
*0158 GMT 28 Jan 96*

[FBIS Transcribed Text] Chengdu, January 28 (XINHUA) — China will invest nearly 900 million yuan (about 108 million US dollars) in building a chemical project in Puling, in the southwestern province of Sichuan.

This is part of efforts China has made to help the development of the area of the Three Gorges Project, one of the world-largest water-control endeavors.

Upon completion, the chemical project will be able to produce 120,000 tons of phosphamidon, 170,000 tons of sulphuric acid, 200,000 tons of cement annually, and hand over 100 million yuan in taxes and profits to the government.

Under plans mapped out by the central government and the Sichuan Province, Sichuan's Puling Prefecture and Wanxian County will build a chemical base in the reservoir area of the Three Gorges Project by taking advantage of abundant salt and natural gas resources there.

The reservoir area extends from Yichang in central China's Hubei Province to Sichuan's Chongqing, involving all districts which will be wholly or partly submerged when the reservoir holds water at a normal height of 175 meters above sea level.

Sichuan Province has selected 20 chemical projects for development in the Ninth Five-Year Plan (1996-2000). If approved by the central authorities, these projects will need a total investment of eight billion yuan, and are capable of producing an output value of 3.7 billion yuan and 1.2 billion yuan in taxes and profits annually.

Development of these projects will create 100,000 jobs including 15,000 to 20,000 relocated local people, local officials said.

**PRC: Wu Bangguo Addresses Production Safety Issues**

*OW2601144696 Beijing XINHUA Domestic Service in Chinese 1145 GMT 22 Jan 96*

[By reporter Chao Wen (6872 2429)]

[FBIS Translated Text] Beijing, 22 Jan (XINHUA) — At today's national television-telephone conference on production safety work, Vice Premier Wu Bangguo of the State Council pointed out: Ensuring the safety of people's production work and property is a sacred responsibility of the party and government. Governments at all levels and leaders in charge must deepen their understanding, strengthen their leadership, apply themselves to carrying out relevant measures, and unremittingly attend to production safety work in order to create a good and safe environment for economic construction and social stability.

Wu Bangguo said: Since reform and opening up began, especially during the Eighth Five-Year Plan period, all localities and departments have earnestly carried out a safety-first policy and the policy of taking precautionary measures as a major step to ensure production safety. As a result, good progress has been made in production safety work, effectively protecting the safety of people's production work and property, ensuring social stability, and boosting economic development. Nevertheless, we must not be optimistic about the situation of production safety. Experience over the years shows that the days around New Year's Day and the Spring Festival season are periods during which all kinds of accidents occur very frequently. Recently, there have been frequent construction, coal mine, fire, and traffic accidents; therefore, party committees and governments at all levels should place great importance on this matter.

Wu Bangguo pointed out: The precondition for realizing the "two fundamental shifts" put forward by the Fifth Plenary Session of the 14th CPC Central Committee is to maintain social stability, and ensuring production safety is an important step to maintain social stability. Party committees and governments at all levels must undertake the historical task of maintaining social stability; seriously handle production safety problems in their localities and departments; and ensure that policies, legislation, and other measures concerning production safety meet as early as possible the requirements of the socialist market economic system.

Currently, all localities and departments are formulating their ninth five-year plans and long-term targets for the



year 2010. Wu Bangguo urged them to seriously and properly plan and implement production safety work for the Ninth Five-Year Plan period. He said: First of all, we should establish safety production work on the basis of scientific and technological progress and raise the industrialization of production safety technology to a new level. Second, we should insist on taking precautionary measures as a primary step to ensure production safety. Leaders of all localities and departments should be well aware of hidden causes of accidents and take measures to eliminate them. Third, we should further strengthen management of and supervision over production safety, and all departments concerned must assume their responsibility. Labor departments should effectively bring their functional role into play and keep an eye on production safety work. Fourth, we should establish a mechanism that combines industrial accident insurance with production safety.

Wu Bangguo said: Ensuring production safety is very solid and practical work. We must formulate effective measures and solidly implement them to ensure production safety. So, first we should further carry out the production safety responsibility system. Party committees and governments at all levels must strengthen their leadership over production safety work and regard doing the production safety work of their localities and departments well as their important responsibility. In the spirit of being highly responsible for the people's lives and property, we should earnestly try to see if there are any problems and solve problems in a down-to-earth manner. Second, we should seriously investigate accidents. Those who are held responsible are to be handled according to the law — they are not allowed to shirk responsibility, concerned authorities should not practice favoritism, serious cases must not be handled lightly, and minor cases must not be left unsettled. Third, we should conduct production safety inspection and strengthen on-site supervision. We must strengthen on-site supervision over production safety conditions in accident-prone industries and localities, over the management of inflammable and potentially explosive materials, and over transportation safety during busy transport periods to ensure the safety of economic construction and people's lives.

Vice Minister of Labor Wang Jianlun made a report on production safety conditions across the country. Those speaking at the conference included Shi Wapeng, vice minister in charge of State Economic and Trade Commission; leaders of the ministries of Public Security, Coal Industry, and Communications; and leaders of Guangdong, Shanxi, Sichuan, Zhejiang, and other provinces. The conference was presided over by Labor Minister Li Boyong.

\*PRC: Liu Guoguang on Inflation, Enterprise Reform

96CE0061A Beijing CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS] in Chinese 11 Sep 95 No 9, pp 4-8, 39

[Article by Liu Guoguang (0491 0948 0342): "China's Economic Future: Putting the Emphasis on Curbing Inflation and State Enterprise Reform"; from a speech delivered on 13 June 1995 in Tokyo at the Mitsui Industrial Trade Economics Research Institute]

[FBIS Translated Text]

I

In the decade or so since China implemented Deng Xiaoping's policy on reform and opening up, its economic system has undergone profound changes. A single public ownership system is turning into a mixed economic system, although the public ownership system still plays a key role; the traditional planned economy is turning into a market economy; the once closed or semi-closed economy is beginning to open up in all directions. Reform and opening up has propelled the Chinese economy into a period of accelerated growth. Between 1979 and 1993, its GDP grew at an annual rate of 9.3 percent; in particular, since 1992, the GDP has grown at a rate of more than 10 percent for 3 years in a row. This is attributable to Deng Xiaoping's South China tour speech in early 1992, urging us to accelerate the development, but it also coincides with the trend of China's economic cycle.

China's economy is at the mid-to-late stage of the fourth economic cycle since reform and opening up. At the peak of the previous cycle (1988), the economy overheated, triggering panic buying and runs on banks, and toward the latter half of that year, the state began to tighten the economy and restore order. The economy dipped to its low point in 1990 and began to recover in 1991, entering a new round of accelerated growth in 1992. This round of rapid growth peaked in the middle of 1993, and the economy again showed signs of overheating. In particular, there was chaos in the financial sector, and so, between June and July, the state began to implement measures to tighten macroeconomic regulations and controls (16 measures in all). At the same time, a series of major reform measures dealing with taxation and foreign exchange were introduced, and they have been very successful. We not only have kept the economy from further heating up but also have kept the economy from skidding as a result of "slamming on the brakes" and all-out tightening. The Chinese economy was able to maintain a fairly high growth rate while leveling off steadily (the growth rate of 11.8 percent was lower than 1992's 13.4 percent and 1993's 13.2 percent).



The Chinese economy still faces many problems ahead, and the most serious of which are the high rate of inflation, the weak agricultural foundation, and state enterprises' lack of vitality. Below, we will focus on the issues of curbing inflation and state enterprise reform. The former is a macroeconomic regulation and control problem; it impacts the economy's steady development in the near-term. The latter has to do with the restructuring of the economic system and pertains to the healthy development of the economy in the long run. Both issues are of great interest to people here and abroad.

## II

The inflation issue. Since reform and opening up, we have gone through several economic cycles. The previous peak was reached in 1988, when the retail price index rose 18.5 percent; it fell back to 2.1 percent in 1990 but climbed again in 1992. In early 1993, prices rose at double digits, and by midyear, macro regulation and control were tightened, and for the whole year, prices rose 13.2 percent. In early 1994, the government proposed keeping the price increase to under 10 percent, but the actual rate was 21.7 percent. It was the highest rate and the longest sustained period of increase (the rate of increase was in double digits for 24 consecutive months); it was also the most widespread (it stretched from the coast to the interior provinces) and the most serious round of inflation since reform began. Although it was not considered runaway inflation, and society was able to cope with the price increases better than in 1988, such a magnitude of increase was a serious conflict that affected the overall economic situation. With that in mind, the Chinese government decided to make curbing inflation its foremost macroeconomic regulation and control task.

Why did prices continue to spiral upwards, and at such magnitude, for a year and a half after macroeconomic regulation and control had been tightened in June-July 1993? There were many reasons. Besides the delayed effects of the sharp increase in total demand triggered by the fixed assets investments and the excess money supply in the previous two years (1992 and 1993), the lax market and price management in recent years (an obvious example was the abolition of the State Commodity Prices General Administration in 1993), and other factors, there were also the following important factors:

1. Many commodity prices were adjusted two years in a row. Substantial adjustments were made to the prices of coal, electricity, petroleum, transportation, grain, cotton, other important commodities, and public utilities. These were necessary in order to smooth out the improper

price structure, but the timing of the price adjustments was poor. Prices should have been adjusted several years ago, when the economy had not yet overheated and prices had been relatively stable. But choosing to make the adjustments in 1993-1994 amid an overheated economy was like adding fuel to the fire. In addition, their impact on the overall price level of related products was underestimated.

2. Reduced output of some agricultural products, especially grain, led to tight supply, adding the high cost of agricultural production, agricultural product prices, especially grain prices, soared, which caused food prices to rise. Food constituted more than 50 percent of the people's total consumption expenditure, which became an important factor in raising the overall price level.

3. The tax reform and the merging of the foreign exchange tracks in 1994 were absolutely necessary and very successful, but to some extent, they have also affected product prices. Adding to that were the fairly substantial adjustments in wages and interest rates and the skyrocketed prices of capital goods triggered by the bloated investments a few years back. These affected the down-stream products in 1994 and generated a huge cost-push effect. Of the overall rise in the retail price level in 1994, 65 percent was cost-pushed, and 35 percent was demand-pulled. This was different from the round of inflation in 1988, when excess demand was the dominant factor.

4. This round of stepped-up macro regulation and control served double duty. On the one hand, it aimed to curb the magnitude of price increase, and on the other hand, it hoped to maintain the growth rate as prices leveled off. For this reason, there was no attempt to tighten up comprehensively and "slam on the brakes" like we had done in the past to deal with the previous years of rapid increase in fixed-asset investments and consumption and the excess money input. In so doing, we have avoided the severe economic upswing and downswing, but we have also made it more difficult to slow the price increases. In 1994, our foreign exchange reserve more than doubled, and converting to foreign currency was one way to channel basic currency loans, and the issuance of RMB increased substantially (by about 280 billion yuan,) which also undermined the effects of the tight credit and macro regulation and control measures. This was not anticipated at the beginning.

Based on an analysis of the 1994 economic and price situations, the Chinese Government set the main goals for macroeconomic regulation and control for that year: The GDP growth rate should be brought down from 1994's 11.8 percent to 8-9 percent in 1995; the rate

of increase in the retail price index should be brought down from 1994's 21.7 percent to around 15 percent in 1995. To achieve these price control goals, the government proposed to vigorously develop agriculture to increase effective supply; implement fairly tight fiscal and monetary policies to control the scope of fixed-asset investments and curb the excess increase in consumption funds; rectify circulation order and strengthen the market and price administration (including restoring the State Commodity Prices General Administration abolished in 1993); and it also stipulated that no new price adjustments would be introduced in 1995.

China's economic trend in recent months showed that efforts to slow the growth rate and the rate of price increases have begun to pay off. In the first quarter, the GDP rose 11.2 percent, 1.5 percentage points below last year's rate during the same period. According to CASS's (Chinese Academy of Social Sciences) Economic Forecast Study Group, if we continue to put a handle on the direction and the force of macro regulation and control in the next few months, the rate of increase in the GDP may drop to 10-10.2 percent for the year, which is close to target. With regard to prices, comparing the same periods in the year before, the rise in the overall retail price index has slowed each month since the fourth quarter of last year: October, 27.7 percent; November, 27.5 percent; December, 25.5 percent; January, 21.2 percent; February, 19.7 percent; March, 18.7 percent; April, 18 percent; May, 17.6 percent. Based on today's price trend and force of regulation and control, it is estimated that the magnitude of price increase for the entire year will be close to the target we set.

The leveling off of the magnitude of price increases in recent months no doubt was attributable to the effort to curb inflation since September 1994's Nationwide Telephone Conference on Pricing. The effort coincided with the contraction mechanism of the mid-to-late period of the fourth economic cycle since reform and opening up began. The slowing of the rate of price increases also benefited from the administrative price limits, financial subsidies, and other stepped-up price control factors, as well as, from the weakening of the effects of the factors contributing to the price increases earlier on. In the former case, 29 of the 35 large cities—Beijing, Tianjin, Nanjing, Xian, Fuzhou, and Guangzhou excluded—have implemented a coupon system in grain sales, which was a measure of last resort and will be temporary. In the latter case, structural price adjustments and the increase in currency issuance stimulated by the large foreign exchange reserve will have less impact in 1995. There are several positive factors that help us curb the price increases: 1) Supply

and demand are in balance for most products (according to the Ministry of Domestic Trade's analysis of supply and demand of 605 major products in the first 6 months of this year, supply and demand were balanced or supply even exceeded demand in 85.6 percent of the cases, and most light industrial products were in a buyers' market. For society as a whole, the supply of grain, cotton, edible oil, and sugar was tight but not scarce). 2) Agricultural production improved in 1995. We had fairly good harvests in the first half of the year. 3) We have ample foreign exchange reserve—topping \$58 billion at the end of the first quarter, which gives us much room for maneuvering in exchange swapping. 4) The government has reiterated its determination to implement tight fiscal and monetary policies. 5) Local governments have indicated that they would strengthen market and price management. All these will help bring prices down.

But we should not be overly optimistic about the price situation. Although prices have fallen, they are still high, and there is no firm basis for their leveling off. Between January and May, prices went up by more than 5 percentage points in a new round of price surges. Relying on administrative price limits and financial subsidies to suppress prices is not a long-term solution. Localities and enterprises are clamoring for the easing of the money supply and added investments. There is a strong urge to raise prices again in the second half of the year. In particular, there are many hidden problems in the agricultural sector, and there is no guarantee for good weather and a good harvest in the second half of the year. Any mishap in our work to curb inflation may cause prices to rebound. That is not something we look forward to.

In short, if there is a bumper harvest in 1995, and if no more price adjustment measures are introduced, then according to the current direction and force of macro regulation and control, it is possible to keep the price increase to around 15 percent, which is close to our goal. If we continue to work hard, we can keep the price increase to around 10 percent and then keep it under 8 percent. In this way, toward the end of the century, China's economic reform and development will have a fairly good environment.

Looking at the developmental trend, it will be difficult to control China's price increase to a rate close to the inflation rate of the developed countries. China's economy is changing tracks; we have not completely changed from the planned economy to the market economy, and we have only just begun to change from the extensive mode to the intensive mode of development. During this transitional period, structural price increases are inevitable. But the inflationary pressures generated by our hopes for



and efforts to achieve accelerated growth must be kept to a level the economy and society can cope with; otherwise, sustained and serious inflationary pressure will hamper the normal process of economic reform and development, and "haste only makes waste." To prevent vicious inflation from interfering with China's modernization process, on the one hand, we must perfect the macro regulation and control system, and on the other hand, we must improve the microeconomic foundation, and in this regard, state enterprise reform is critical, both today and in the long run.

### III

The state enterprise reform issue. After more than a decade of reform, China's state enterprises have gained much vitality, and despite the rapid expansion of the non-state-owned components and the continuous shrinkage of the state-owned component in the economy, state enterprises, especially the large- and medium-sized enterprises, still play a pivotal role in the national economy. In 1993, for industries at the village and higher levels, state-owned industrial enterprises accounted for 53 percent of the GVIAO [gross value of industrial and agricultural output] and 75 percent of the total value of fixed assets; they generated 66 percent of the profit and tax revenues and provided 68 percent of the total employment in the towns and townships. State enterprises are making important contributions in supporting China's reform and opening up and in the country's economic development. But for various reasons, state enterprises still have no vitality and are not efficient. Many enterprises are losing money (one-third are openly losing money, one-third have hidden losses, and one-third are profitable). In terms of competitiveness, efficiency, and growth rate, the gap between state-owned and non-state-owned enterprises is widening. In 1994, China introduced many financial and other reform measures in the macroeconomic management domain. Experience shows that further deepening of reforms at the macro level will be constrained by microeconomic factors, especially the traditional state enterprises system. For example, in turning state-owned specialized banks into commercial banks, we run into the problem of state enterprises' huge amount of bad debts and defaults on bank loans, and these debts are still mounting. Reportedly, in early 1995, of the 3 trillion yuan's worth of loans extended by Mainland China's specialized banks and credit cooperatives, 20 percent, or about 600 billion yuan, were bad debts or in default. If this problem is not solved, and if we continue to lend money to the money-losing state enterprises, efforts to turn specialized banks into commercial banks will run into insurmountable obstacles. Meanwhile, the tight monetary policies we have adopted to curb inflation have exacerbated state enter-

prises' fund problems. Defaults among enterprises are mounting; many enterprises have shut down or partially shut down. State enterprise reform is the key to the success of China's economic reform and modernization. We are at the critical moment when we must make a major move. For that reason, beginning in 1995, the Chinese government has made state enterprise reform the most important part of economic reform.

Among the many causes of state enterprises' current problems, I think the most important are the following: 1) In the past, the planned economy gave state enterprises too broad a business scope. Many businesses should not have been run by state enterprises—such as ordinary, competitive trades including light and textile goods, everyday chemical products, retail sales and food, beverage services and so on. 2) The traditional system made government and enterprises inseparable, property rights unclear, and the budgetary constraints ineffective, and these and other defects have not been dealt with, so that investors are not worried about not being able to recover their investments and enterprises are not worried about losing money, because the Financial Ministry and banks are always there to remedy their losses. 3) State enterprises have always borne far heavier burdens than non-state-owned enterprises, or they have state tax burdens and other social burdens not borne by non-state-owned enterprises, and therefore they are always at a disadvantage when competing. In short, state enterprises' current problems are the manifestations of the deep-seated contradictions as the state economy makes the transition from the planned economy to the market economy.

As for how to extricate China's state enterprises from the dilemma and how to deepen the reform process, some people, both at home and abroad, suggest privatization, and they generally subscribe to one of two different viewpoints: One suggestion is to divide up the property rights of existing state enterprises and "give" the citizens equal shares, just like what Russia and some Eastern European countries did in their privatization processes. Another suggestion is to leave the existing state enterprises alone and vigorously develop other types of non-state-owned enterprises and eventually reduce state enterprises to an inconsequential role, like what Taiwan and South Korea did. From the point of state enterprises' substantial role in China's economy today, China's civilian financial strength, and in particular, China's reform goal of setting up a socialist market economic system, privatization may not suit China's current situation, and therefore the program has never had any official recognition. But, among the discussions opposing privatization, there may have been improper attempts to expand the scope of "privatization" or a ten-

deacy to criticize as a part of the "privatization" process even those ideas and measures on property rights reform that deserve to be studied and explored—such as the shareholding system. I believe that too goes against China's reform direction.

The general principle of China's restructuring of the ownership system and state enterprises is to continue to develop all types of non-state-owned enterprises, including collective, individual-owned, private, and foreign-run enterprises while upholding the public ownership system as the main system and shifting the state-owned enterprises' operating mechanisms to set up a modern enterprise system that meets the needs of the market economy. In accordance with this principle, state enterprise reform does not focus on individual enterprises; instead, it focuses on the entire state-owned economy to enable it to play a stronger leading role. In this sense, state enterprise reform should include at least the following elements: 1) We should make strategic adjustments in the business scope of state enterprises and take them out of the ordinary competitive sectors, which should be left to civilian-owned or civilian-run enterprises of all types. The scope of utilization of state-owned assets should be reduced and concentrated in sectors where there is a natural monopoly, in the public welfare sector, and sectors holding the state's economic lifeline—such as post, telecommunications, railroad, port facilities, weapon manufacturing, aerospace, banking, and high-tech industries. Others suggest that the scope of utilization of state assets should be wide enough to include some mainstay enterprises in the competitive industries, such as energy, important raw materials, machinery and electronics, automobiles, and construction. 2) With regard to the large- and medium-sized state enterprises, we should follow the conventions of the modern enterprise system and take enterprises' actual conditions into consideration to turn them into corporations category by category. Except for the handful of special products and services which may comply with the "Corporate Law" to become wholly state-owned corporations, other enterprises may adopt the format of the limited liability company or shareholding company to absorb institutional, individual, and foreign business investments as well as inter-enterprise stock participation, so as to create a variety of investors and property rights owners while the state retains control of majority shares in the mainstay enterprises. 3) By readjusting enterprise property rights and selling, merging, or spinning off some enterprises, we can allow property rights in state assets to be transferred and circulated to enliven the stock of state assets and optimize resource allocation. For enterprises that are chronically losing money and have no hopes of turning a profit or are unable to repay their debts when due, we should allow some to declare

bankruptcy, sell some, and merge others. We should make bigger strides in restructuring and readjusting the many small enterprises, but we must adhere to the modern enterprise system. Besides leasing, contracting, and auctioning enterprises off, we can adopt other organizational formats, such as combination, partnership, shareholding cooperatives, and limited liability companies. 4) Historic debt burdens and the burden of idled personnel created not by enterprises themselves and the many social burdens shouldered by enterprises should be dealt with in the enterprise reform process; otherwise, enterprise mechanisms cannot be changed, and they cannot switch to the modern enterprise system. Enterprises' historical debts, to a large extent, were created by the state's financial adjustments. For example, state-invested construction projects and state-allocated enterprises circulation funds were replaced by bank loans in 1983. Thereafter, enterprise production and operation funds have not been fully supplemented, and adding the heavy tax burden, enterprises have been laden with heavy debts. It is necessary to restructure the loans among the Financial Ministry, banks, and enterprises and build a benign relationship among the three. Enterprises' burden of idled workers and other social burdens must be dealt with step by step by setting up and perfecting a social security system, removing enterprises' auxiliary organs and service units, and diverting the surplus personnel and so on.

Of course, the problems we must solve in state enterprise reform are not limited to those cited above, but they are the more difficult ones. Since the Third Plenary Session of the 14th CPC Central Committee ratified the decision on establishing the socialist market economic system at the end of 1993, some basic, experimental work—such as taking physical inventory to identify fund sources—were conducted in the area of state enterprise reform in 1994, and such reform will be stepped up in 1995. Besides continuing the basic, experimental work already in progress, we will emphasize four major reform pilot programs approved by the State Council: 1) We are setting up modern enterprise system experimental points in one hundred large- and medium-sized state enterprises (80 percent are industrial enterprises and the remaining 20 percent are in foreign trade, commerce, and construction industry, and in addition, 2,000 units are chosen by the provinces, municipalities, and various departments in charge). 2) Three national industrial corporations (China Aeronautics Industrial Corporation, China Petrochemical Corporation, and China Non-Ferrous Metal Industrial Corporation) are turned into corporations in which the state has controlling interest. 3) Fifty-five enterprise group experimental points are set up. 4) Experimental points to optimize enterprises' capital structure and implement



comprehensive reform are set up in 18 cities. These reform pilots affect every aspect of China's economy, and of course they cannot move ahead on their own; instead we must deal with the following important relationships: One, we must link the reform of the enterprise system to structural reorganization, technological transformation, and the strengthening of enterprise management. Two, we must combine the four major reform pilot programs with broad reform of the masses of enterprises. Three, we must deal with the relationship between enterprise reform and other necessary reforms. In particular, we must revolve around enterprise reform to vigorously reform the social security system to put particular emphasis on old-age pension and unemployment insurance; we must focus on the nurturing of the market system, especially the capital and labor markets; and we must continue to perfect the restructuring and the legislation of the financial and other macro management systems.

State enterprise reform is the most important, and the most difficult, part of the restructuring of China's economic system. We cannot expect to succeed overnight; we must be ready to work long and hard and explore every possibility. After this and next years' reform pilots, if we review our experiences and broaden and constantly perfect the experiments during the Ninth Five Year Plan period (1996-2000), it is possible to complete the preliminary transformation of the enterprise management system and set up a modern enterprise system before the end of this century. If we can accomplish that, we will have accomplished much. This will play an inestimable role in building a new, Chinese socialist market system and promoting the success of China's modernization.

#### IV

Prospects of China's economic development. With respect to macroeconomic regulation and control, if China can effectively curb the high rate of inflation and prevent more sharp economic upswings and downswings, and with respect to the economic system, if, upon the success of its state enterprises reform, China can steadily embark onto the track of the socialist market economic system and continue to perfect that system, it is possible for the Chinese economy to sustain a fairly rapid growth rate for the next 20-30 years.

According to a CASS Economic Forecast Study Group's calculation based on two different methods used by the IMF, in the next 20-30 years, the international ranking of China's GDP will rise from tenth place in 1991, to seventh place in the year 2000, to fourth place in 2010, and to third place in the year 2020 based on the actual exchange rate method. If computed based on the purchasing power at parity price method, it ranked third

in 1991 and will slightly surpass Japan by the year 2000 to rank second and will surpass the United States to rank first in 2020.

Both methods of computation are flawed. To estimate the economic strength of a developing country using the actual exchange rate method tends to underestimate the value, while using the purchasing power at parity price method tends to overestimate the value. These estimates are good for reference only. Moreover, in gauging a country's economic strength and level of development, we cannot just look at the economic volume (such as GDP or GNP); we must also look at the per capita standard and the structure and quality of economic development. China's economic volume may be growing very rapidly, but the per capita standard is low, and the quality of development is poor.

In per capita terms, China will not rank among the high-income countries in the next 20-30 years. According to CASS's Study Group estimates, even if we use the purchasing power method which often exaggerates a developing country's relative status, China's per capita GDP will be close to \$10,570 in 2020, which is considered a moderate income country, but there is still a huge gap between us and the United States and Japan and other developed countries (by then the United States' per capita GDP will be 3.4 times, and Japan's will be 5.4 times, that of China). The Chinese Academy of Sciences' State of the Nation Analysis Small Group recently forecasted that between 2040 and 2050, China's per capita GDP would only reach that of the developed countries at the end of this century. If we look at the quality of development, in terms of the industrial structure, town and country structure, management standard, technological standard, infrastructure, environmental quality and so on, and for the country as a whole, we are far below the standards of the modern developed countries. Therefore, with regard to the matter of China's accelerated economic growth, we must seek truth from facts and take the whole picture into consideration, and only then can we reach the correct conclusion.

China's economic development and increased economic strength have provided a fine opportunity and ample room for the world's economically developed countries to expand their commodity exports and foreign investments. Our ranking in world economic trade has risen from 32nd place in 1979 to 11th place in 1993. We have become the second largest country in absorbing direct foreign investments in the world, trailing only the United States. It is estimated that in the year 2000, China's imports and exports will be worth \$400 billion, and between now and the year 2000, cumulatively, our import orders are estimates to be worth \$1 trillion. The

attraction of this huge market is obvious. The expansion of China's economic scope, its rising income level, and its improved investment environment will absorb even more commodities and investments from, and provide even more expansive markets for, the Asian Pacific region and the world's economically developed countries, especially our neighbor, Japan. In turn we will help bring prosperity to the Asia-Pacific area and bring economic boom to the developed countries, including Japan.

### Finance & Banking

#### PRC: Spokesman Confirms Tight Monetary Policy To Continue

OW3101111796 Beijing XINHUA in English  
1054 GMT 31 Jan 96

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — A central bank spokesman here today ruled out the possibility of relaxing monetary control and reiterated that the appropriately tight monetary policy will be kept firmly in place this year.

Ma Dehan, spokesman for the People's Bank of China (PBC), told a press conference that the broad money supply is still high and price increases have kept a two-digit pace.

"We hope that the price rise will fall to around 10 percent or even lower. Therefore there is no doubt that the central bank will resolutely implement an appropriately tight monetary policy," Ma said.

The latest statistics show that the broad money (cash in circulation plus deposits of all categories) amounted to 6074.9 billion yuan by the end of 1995, up 29.5 percent over the previous year and also 4.5 percentage points higher than the government control target for 1995.

Ma noted that the central bank hopes to contain the growth of narrow money supply and broad money supply to some 18 percent and 25 percent, respectively, this year.

Last year the state banks extended loans totalling 638.7 billion yuan. "The state bank loans will be sure to increase this year, though we have to keep the overall amount at a proper level," Ma added.

According to him, leading priority this year includes the agricultural sector and state major construction projects. Working capital for enterprises with good management and marketable products will also be guaranteed.

China will reform its interest rate system, the spokesman said. As the first step, he noted, a unified interbank lending market was set up in Shanghai at the beginning

of this year, whose rate will gradually be determined by market forces.

In the second stage, the country will put into place an interest rate system, which will be based on the interbank rate but be guided by the central bank's rate to financial institutions. By then the central bank will set the ceiling and bottom line of the rate and allow the commercial banks to float their own rates within a given range.

In reply to a reporter's question on the impact on the Renminbi yuan's exchange rate by the tariff cuts at the beginning of this year, Li Fuxiang, deputy director of the State Administration of Exchange Control, said that the cuts will not affect the exchange rate too much because China terminated the tax reductions and exemptions on imported equipment and raw materials of foreign-funded firms at the same time.

"The cuts will be conducive to the country's balance of payments performance and further improve the situation of demand and supply in foreign exchange," Li said.

"Hard currency supply has exceeded demand ever since 1994, and the tariff cuts will help somewhat ease the pressure on the appreciation of the yuan," Ma said.

#### PRC: State Official on Foreign Exchange Management

HK3101020996 Beijing ZHONGGUO ZHENGQUAN  
BAO in Chinese 12 Dec 95 p 1

[Report by JINRONG SHIBAO Reporters Chen Xuhao (7115 4872 6275) and Qiang Xinghua (1730 5281 5478) and Staff Reporter Yu Li (0060 0500): "Guiding Ideology Set for Foreign Exchange Management in 1996"]

[PTS Translated Text for FBIS] Beijing—The State Administration of Exchange Control yesterday [11 December] called in Beijing a meeting of its branch directors from across the country. The meeting revealed that the country's guiding ideology for foreign exchange management in 1996 is to implement spirit of the Fifth Plenary Session of the 14th CPC Central Committee and the 1995 Central Economic Work Conference, tighten foreign exchange and financial supervision and control, rationally readjust the balance of payments equilibrium, deepen foreign exchange structural reform, and improve Renminbi (RMB) convertibility.

Zhou Xiaochuan, director of the State Administration of Exchange Control, called in a speech for focusing on the following work aspects in 1996: further perfect a bank exchange settlement and sales system; gradually cut down on current account exchange restrictions;



comprehensively implement a balance-of-payments statistics and declaration system; actively coordinate with the State Council decision on readjusting and perfecting foreign-related taxation measures as well as other reform measures adopted by the State Council; step up investigation and study and closely monitor foreign exchange supply and demand; continually strengthen capital items management and foreign exchange reserve operation management; perfect foreign exchange market operations; and quicken the pace of information automation.

Zhou Xiaochuan stated: This year, the country's foreign exchange work has developed with sound momentum with the following major manifestations:

— Foreign exchange supply has outstripped demand. In the first 10 months of this year, the country's total foreign trade volume stood at \$221 billion, up by 24 percent over the same period last year. In the first three quarters of this year, the country actually used a total of \$25.4 billion of direct foreign investments, up by 12 percent over the same period last year. The country also enjoyed a favorable balance of payments and a surplus of foreign exchange supply and demand. Statistics show that in the first 10 months of the year the country's aggregate bank exchange settlement and sales totalled \$174.82 billion. The inter-bank exchange market transaction volume totalled \$54.27 billion, including 49.12 billion in U.S. dollars, 37.55 billion in Hong Kong dollars, and 34.85 billion in Japanese yen.

— The RMB exchange rate has remained basically stable. As the country's foreign exchange supply has outstripped demand this year, the RMB exchange rate has generally remained stable and gone up a bit. The RMB-U.S. dollar exchange rate has risen from 8.45 to 1 at the end of last year to about 8.31 to 1 at the moment, up by 1.7 percent. Unlike last year, however, the RMB-dollar exchange rate has not gone up all the way through, but has risen in a curve amidst ups and downs.

— Foreign exchange reserves have multiplied. This year, though designated foreign exchange banks respectively raised turnover volumes, the country's foreign exchange supply still outstripped demand thanks to an overall favorable balance of payments, with the result that foreign exchange reserves have multiplied. By the end of this year, China's foreign exchange reserve is expected to reach \$70 billion. As the country's central bank, the People's Bank of China has carried out macroeconomic regulation and control and open market operations, thereby effectively preventing an increase in reserves from causing an increase in currency supply.

**\*PRC: Exchange Rate Control System Problems Viewed**

96CE0119A Beijing CAIMAO JINGJI [FINANCE AND ECONOMICS] in Chinese 11 Dec 95  
No 12, pp 31-33

[Article by Liu Fei (0491 5481), Finance and Trade Institute, Chinese Academy of Social Sciences: "Correlation Between RMB New Exchange Rate System and Domestic Money Supply"]

[FBIS Translated Text] After nearly two years of operation, China's new foreign exchange control system and the associated RMB new exchange rate system have produced a series of successes and positive results, but some problems that were not anticipated, or that were not adequately prepared for, have also occurred. The problems that have had the greatest effect are as follows: As market regulation of the exchange rate increased, the RMB did not decrease in value but rather remained firm. The RMB 8.70:\$1.00 rate of early 1994 rose steadily, reaching RMB 8.31:\$1.00 on 19 October 1995, and it even broke the RMB 8.30 mark for a time. The worst effects resulted from the formation of a channel linking foreign exchange to the local currency as the RMB becomes more internationalized. The former separation between the RMB and foreign currencies is being weakened by domestic and foreign integration. Thus, changes in the renminbi exchange rate becomes an important economic indicator. Moreover, problems in these two regards are prominently manifested as huge fluctuations in the domestic money supply. Many Chinese and foreign scholars have done quite a bit of research on this phenomenon, and they have come up with quite a few beneficial conclusions. Here, the writer intends only to discuss some personal views related to foreign exchange system choices.

**I. A Look at the New RMB Exchange Rate System in Terms of the Selection of an Optimum Exchange Rate System**

No one has ever been able to provide a clear-cut answer to the question of whether a country should adopt a fixed exchange rate system or a floating exchange rate system. This is because optimum exchange rate control depends on the economic goals of those who formulate policy, on what produces economic shock, and on the structure of the economy. Nevertheless, we can derive a standard for an optimum exchange rate system, namely the one that causes least change in the actual aggregate price level and the actual consumption level when a random, temporary shock occurs. This shows that neither a completely fixed exchange rate system nor a completely floating exchange rate system is best, but rather that a "managed" or a "flexible fixed" exchange rate system is

best suited to a developing country. Actually, China's new exchange rate system is just such a compromise choice.

The experiences of many developing countries shows that when the local currency exchange rate begins to become free, the international balance of payments imposes limits that have binding force. Exchange policy must do all possible to maintain the country's competitiveness abroad. It must be said that the purpose of the initial nearly 50 percent sudden devaluation of the RMB official exchange rate was both to maintain and to increase the country's competitiveness abroad. Results of actual operation suggest that the sharp increase in foreign exchange reserves, the expansion of the favorable balance of foreign trade, and the influx of foreign capital may all be regarded as increasing China's competitiveness abroad. The problem that occurred was excessive lowering of the international value of domestic merchandise, which can cause inflation of the RMB and macroeconomic instability. Seemingly, this problem did not get the close attention it deserved in the RMB new exchange rate system.

One matter merits exceptionally close attention, and that is the correlation between exchange rate planning and the monetary order. The experiences of many countries during the 1970s and 1980s show that the average inflation rate in countries that pegged the exchange rate was lower than in countries that applied flexible exchange rates. In other words, if a country's public sector assumes that the country has a long-term repayment capability, i.e., if most of the surplus anticipated from the public sector is at least greater than the face value of public net liabilities, a pegged exchange rate system is feasible. When repayment capability is not very strong, the government must rely on an inflation tax. This will be followed by an intensification of domestic inflation and a decline in international reserves. Mexico's monetary crisis was of that kind. China instituted a pegged exchange rate having relatively little elasticity in planning its exchange rate system, but because of the deterioration of public revenues, an inflation tax could not be avoided in the end. This worsened the monetary order in another way.

## **II. Changes in Money Supply Resulting From the New Exchange Rate System and RMB Used To Purchase Foreign Exchange**

Inflation is ultimately manifested in too large a money supply. The high inflation of 1994 was no exception. The only difference was that the substantial increase in money supply at that time was closely related to the institution of the new foreign exchange control system. In 1994, basic money increased by 458.621 billion yuan

RMB, up 34.35 percent from 1993. The make-up of its assets suggests that a fundamental change occurred in the channels through which the Chinese People's Bank put basic money into circulation: First, the Chinese People's Bank all but completely halted overdrafts and credit for the central government treasury, thereby causing a tremendous reduction in the amount of basic money issued through that channel, the percentage falling from 9.3 percent in 1993 to 2.5 percent in 1994. Second, money used for foreign exchange loans became the main channel through which the Chinese People's Bank issued basic money, the percentage rising from 7 percent in 1993 to 76.1 percent in 1994. In 1994, the Chinese People's Bank's net assets increased by \$30.4 billion. Third was the tremendous decline in the Chinese People's Bank's relending to commercial banks, the percentage falling from 78 percent in 1993 to 20.1 percent in 1994.

A very great difference exists in the character and the dynamics of basic money put into circulation for foreign exchange versus basic money put into circulation through relending to banks.

It is generally known that the central bank is in charge of the switch that controls the main gate for putting basic money into circulation through central bank relending to commercial banks. Whenever exchange rate factors are given fairly little consideration, the central bank can control the speed of increase in the money supply and the time it is put into circulation. In addition, just by narrowing the channels for putting basic money into circulation, a cut in the money supply will very rapidly have a ripple effect on market prices. An overly high inflation rate that is no longer supported by expansion of the money supply will naturally take a downturn. However, if the basic money that the central bank puts into circulation is in the form of an outflow to buy foreign exchange, various "small faucets" that settle foreign exchange and use foreign exchange may be able to open and close the main gate through which all money is issued. Thus, central bank control over the speed of increase and timing of the money supply may become entirely passive. This is because the central bank has great difficulty figuring out peak periods when enterprises settle foreign exchange with commercial banks, or peak periods when banks sell foreign exchange to enterprises; consequently, the speed and timing of currency issuance may be influenced to a very large extent by enterprises' settlements of exchange and use of exchange. When the exchange rate is relatively stable, in particular, enterprises' settlement of exchange peaks are bound to be high peaks for the issuance of money, and the banks' exchange sale peaks are bound to lead to currency deflation. In other words, when



there is little fluctuation in the exchange rate, and the rate formation mechanism is relatively rigid, monetary policy may be influenced by enterprise foreign exchange settlements, and the amount and frequency of foreign exchange use. Therefore, with the internationalization of the country's economy, particularly as the exchange rate control mechanism becomes more and more subject to the operation of the market, the amount of money used for foreign exchange has more and more effect on the money supply and the speed of the money supply. This affects the degree of inflation in turn.

The foregoing analysis shows that sudden increases or decreases in the amount of money used for foreign exchange may directly affect increases or decreases in the money supply. However, when China put into effect a new exchange rate system in 1994, why was there only a dramatic increase in inflation, but no deflation? This is a question that foreign capital inflow theory and RMB transitional devaluation theory must answer.

### **III. New Exchange Rate Mechanism and Foreign Capital Inflow, and Their Effects on the Market**

The influx of foreign capital, particularly the influx of international short-term capital has an enormous effect on a country's exchange rate and its entire money market. Because of its short-term nature, and its high liquidity, the movement of international short-term capital, which is also termed floating capital or hot money, has a direct impact on the money markets of the country into which it flows. Generally speaking, international floating capital has the following characteristics: First is the large sums and the widespread effect. The International Monetary Fund estimates that approximately \$7.2 trillion in short-term capital is circulating in international money markets. This is roughly 20 percent of world annual economic output. Second is the intense quest for profits, which speeds up the global inflow and outflow of capital. Floating capital flows anywhere that a profit can be made. Floating capital not only seeks high margins to engage in arbitrage, but under certain circumstances, it even coalesces to counter central bank intervention. Such was the case during the 1991 European monetary system crisis when the British pound and the Italian lira were forced out of the European Monetary Union, as well as during the 1995 Mexican financial crisis, and the bankruptcy of the Britain's Behring's Bank, both of which were related to international floating capital. Third, high risks often create international financial market upsets, as well as tremendous appreciation or depreciation of the exchange rates of some currencies. Fourth is a spurt in the volume of currency market trading, the foreign exchange market gyrating unpredictably. Statistics from the authorities concerned

show a global foreign exchange market trading volume of as much as \$1 trillion each day, or nearly 40 percent more than the \$620 billion of 1989. Fifth, accompanying the tremendous movement in the volume of money has been the immediate appearance of financial derivatives. The generation of derivatives on a large scale offer extremely great convenience of the international movement of funds, but they also create greater financial market risks. Statistics show a trading volume of \$1.4 trillion on futures exchanges worldwide in 1994, which was more than three times the \$482 billion of 1988. Sixth, the liberalization of policies since the 1980s has opened wide the door for an influx of capital. In particular, numerous developing countries vied with each other to provide preferential conditions to attract foreign capital in order to speed up their economic development, thereby providing opportunities for speculative capital to enter.

It is not difficult to see from the character of international floating capital the negative effect it has on the international economy and international finance. 1) Floating capital provides little benefit to the countries it enters. Since it remains for only a short period and turns over rapidly, it cannot become a long-term source of investment for the countries it enters. 2) Large-scale inflow of floating capital may create a drastic increase in foreign exchange reserves for a time, and a corresponding increase in the money supply, which stimulate an all-around rise in financial market and money market prices that causes high inflation. Furthermore, the large-scale outflow of floating capital may drastically decrease foreign exchange reserves for a time, and cause a corresponding contraction of the money supply, thereby causing economic depression. 3) Floating capital directly affects exchange rate changes, with the result that exchange rates cannot express the international capital supply and demand situation. 4) The liquidity of floating capital makes it more difficult for every country to carry out a monetary policy. If they need to hold down inflation, they have to raise interest rates, which decreases the money supply. However, this also may attract an influx of floating capital, thereby setting up arbitrage opportunities. If entry of floating capital is reduced at this time by appreciation of the local currency, this may lead to illegal foreign exchange transactions in the floating currency that entered the country earlier.

Although we cannot attribute entirely to illegal foreign exchange transactions and arbitrage the 1994 RMB devaluation and high inflation, neither can we deny that it exacerbated the situation.

First, inauguration of the new RMB exchange rate system changed from a possibility to a reality the entry of international capital into China's financial markets for

arbitrage and illegal foreign exchange transactions. It is the actual interest rate levels that affects international capital flow interest rates. In 1994, the RMB nominal interest rate was 10.98 percent (for the year); the inflation rate was approximately 23 percent; and the effective interest rate was 12 percent. The U.S. dollar nominal interest rate was 7 percent (for the year); the U.S. inflation rate was 2 percent; and the effective interest rate was 5 percent. Clearly, if price rise factors are deducted, the effective U.S. dollar interest rate was higher than the effective RMB interest rate. However, because of the supply and demand relationship, ever since 1994 the RMB-U.S. dollar exchange rate has steadily risen. Over time, this has led to an effective RMB interest rate (nominal interest rate plus exchange rate appreciation rate) that is equal to, or higher than the effective U.S. dollar interest rate. In early 1994, the RMB-dollar exchange rate was 8.70 to 1.00. At the end of the same year, it was 8.40:1.00. The RMB interest rate was 11 percent. If \$10,000 had been converted into 87,000 yuan RMB at the beginning of the year and deposited in a bank, one year's interest would have come to 9,570 yuan RMB, interest plus capital amounting to 96,570 yuan RMB. Were this sum then converted at a rate of \$1.00 to 8.40 yuan renminbi, the 96,570 yuan RMB would produce \$13,000, or a real 30 percent rate of return, 11 percent of it from the RMB nominal interest rate, and 19 percent of it from the rate of appreciation of the RMB exchange rate. Clearly, the basis for the influx of floating capital is profit.

Second, owing to the existence of both the arbitrage margin and the interest margin, international capital entered the country on an unprecedented scale. Even though we cannot determine the amount of foreign capital involved in interest straddles and arbitrage, the sharp increase in China's foreign exchange reserves can provide verification. As of the end of 1994, China's foreign exchange reserves totaled \$51.6 billion, up \$30.4 billion from the 1993 year-end figure, but China's favorable balance of foreign trade was only \$5.3 billion. Clearly the percentage tied up in foreign capital inflow was high. The new RMB exchange rate system provides that except for exchange sales, each of the country's specialized banks may not hold more than a total of \$900 million in foreign exchange. Because imports are limited, the market supply of foreign exchange is always greater than demand. Central bank passive purchases of foreign exchange place enormous pressure on currency control. Statistics from the National Foreign Exchange Control Administration show that between April and December 1994, bank foreign exchange settlements exceeded the total amount of exchange sold by \$343 billion. This included \$20.7 billion more for exchange settlement than exchange sales for trade, or 61 percent

of total exchange sales, and \$9 billion for trade, or 26 percent. Capital and other was \$4.3 billion, or only 13 percent. In addition, for reasons having to do with the financial system, a fall in interest rates was impeded, and pressure built up to raise interest rates. International floating capital made a lot of money on arbitrage and interest straddles in China, which propelled a rise in the inflation rate.

#### PRC: Bank Official on Increasing Foreign Bank Presence

OW3101053696 Beijing XINHUA in English  
0359 GMT 31 Jan 96

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — The Chinese capital will allow more overseas financial institutions to set up operations here this year, according to a senior banker.

Beijing will step up its efforts to open its financial sector further in 1996, said Lu Xueyong, president of the Beijing branch of the People's Bank of China, the central bank.

"We'll strive to increase the number of overseas financial institutions operating here this year," Lu told a municipal meeting on finance.

Japan's Bank of Tokyo, Citibank of the United States and the Shanghai and Hong Kong Banking Corporation became the first overseas banks to establish operational branches here last year.

Lu said that financial supervision will also be beefed up this year, and urged state-owned commercial banks to "actively participate in and support mergers and bankruptcies of enterprises".

Official sources have said that Beijing will this year become one of the 50 Chinese cities where mergers and bankruptcies of enterprises are allowed on an experimental basis.

Lu said that over 10 percent of the added lending volume of Beijing's commercial banks will be directed to agriculture and agriculture-related industries.

Lending priority will also be given to large state-owned enterprises and enterprise groups, especially to those in such sectors as the automobile, electronics, machinery, metallurgy, petrochemicals, energy, housing and construction materials, according to Lu.



**PRC: State To Allow Foreign Banks To Deal in Renminbi**

**OW3101045896** Beijing *XINHUA* in English  
0402 GMT 31 Jan 96

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — In a fresh move to further open the domestic financial market, China will soon allow foreign banks to handle local money business.

The State Council has given the go-ahead to foreign banks in Shanghai to handle Renminbi business on a trial basis, according to sources with the central bank, the People's Bank of China.

At the experimental stage, the foreign banks in the Pudong New Area could only attract Renminbi deposits from or make Renminbi lendings to foreign-funded companies or foreign-related firms, the sources said.

The Hong Kong and Shanghai Banking Corp. Ltd, the Shanghai branch of the Bank of East Asia and the joint venture bank, the Shanghai-Banque Nationale de Paris, are likely to be the first group of foreign banks to get the business licence, according to the sources.

Shanghai is the home to 38 operational foreign financial houses including two foreign insurance firms.

**\*PRC: Export Tariff Rebates, RMB Exchange Rate**  
**96CE0120A** Beijing *CAIMAO JINGJI [FINANCE AND TRADE ECONOMICS]* in Chinese 11 Dec 95  
No 12, pp 28-30

[Article by Yang Fan, Economics Institute, Chinese Academy of Social Sciences: "China's Export Tariff Rebates and Foreign Exchange Rate Stabilization Problems"]

[FBIS Translated Text] **I. The Current Export Situation and the Problems It Conceals**

China's exports and imports for the first half of 1995 totaled \$126.4 billion, up 29.6 percent from the previous year. This included exports of \$69.79 billion, up 44.2 percent, and imports of \$56.61, up 15.2 percent, providing a \$13.18 billion favorable balance of trade. In 1994, the country's foreign exchange reserves shot up 150 percent, the favorable balance of trade was no more than \$7.29 billion, and the country's exports averaged an annual 15 to 20 percent increase. By comparison, exports for the first half of 1995 increased 44 percent. This is truly "extraordinary growth" that sets an all-time high.

Despite the generally very fine situation, the state-owned foreign trade sector shouts loudly about a crisis. It says:

The current extraordinary export growth stems from foreign trade corporations having made an export push during the first half of the year in order to get export tariff rebates. The foreign exchange costs of exports are now at the exchange rate level. Without a devaluation of the RMB, second half of the year exports will suffer.

This is another instance of state-owned foreign trade groups crying wolf in order to get favorable export conditions, and in order to get benefits for their own sector under the market economy.

Under the planned economy, the shortage of foreign exchange was the greatest shortage of all shortages, and export plans were central to all plans. The state monopolized all foreign trade. State-owned foreign trade corporations had only to fulfill export plans, the national treasury subsidizing all their losses. Government export subsidies were abolished in 1990, bringing China in line with international practice. At the same time, the RMB was steadily devalued in light of actual exports costs in terms of foreign exchange. Actually, this amounted to passing along fiscal subsidy pressures to prices. (The exchange rate is the RMB's foreign exchange cost.) One might say that the essence of planned economy reform, macroeconomically speaking, was passing along fiscal subsidies to prices.

Whether seeking fiscal subsidies or requesting RMB devaluation, it is the foreign exchange cost of exports that is the critical figure. The foreign exchange cost of exports means the amount of local currency paid for each dollar of foreign exchange that exports earn. During the early 1990s, the foreign exchange cost of China's exports of silk fabric and indigenous specialties amounted to no more than two yuan. Chemical, machinery, and electrical products foreign exchange costs amounted to as much as 10 yuan. The "average foreign exchange cost for exports" that the Ministry of Foreign Trade reports annually to a higher authority is a secret figure for which the central government treasury allocates a subsidy with the approval of the Ministry of Finance and the National Planning Commission. Following cancellation of fiscal subsidies, state-owned foreign trade groups implored the central government to devalue the foreign exchange rate on the basis of their own tabulation of the steadily rising foreign exchange costs (a rise of between approximately 0.30 and 0.40 yuan to the dollar per year); otherwise, "next year's exports cannot be assured."

Whenever the central government is extremely short of foreign exchange, and is also totally dependent on foreign trade groups for foreign exchange, this crying wolf always frightens the central government decisionmakers. No matter whether the Ministry of Finance's "short-

age of revenue" is the reason, or the Planning Commission's and the Price Bureau's "stabilization of prices" is the reason, and no matter whether the entire society is dissatisfied with the special privilege accorded foreign trade, or whether international scholars criticize the "increased poverty from exports," developing countries never balk at paying the price for expanding exports. The more exported, the greater the outflow of domestic wealth, but no amount of censure can change the central government's "partiality toward foreign exchange accumulations." Each cry of wolf always leads to devaluation of the exchange rate; consequently, "the wolf never comes." Is this because devaluation of the exchange rate stimulates exports, or is it because the wolf would not have come anyhow? There is no way of knowing because the central government has never dared to grit its teeth and try to find out whether the wolf would come if it held the line on the RMB for several years with no devaluation.

## II. Can Export Rebates and Foreign Exchange Rate Devaluation Be Mutually Reinforcing?

The current cry that "without a devaluation of foreign exchange rates, exports cannot be guaranteed" stems from serious cheating on tariffs and the inability to enforce export tariff rebate policy effectively.

In 1990, China abolished the annual payment of 12 billion yuan in government export subsidies, instituting in its place an export tariff rebate system in line with international practice. There is some question as to whether growth of export tariff rebates was overly rapid. It was 1.98 billion in 1985, 18 billion yuan in 1989, and a planned 44.5 billion yuan in 1994, payment of 22.5 billion yuan of which was defaulted. Plans call for a tariff rebate of 55 billion yuan in 1995, but after deducting the amount to be made up for the previous year default, a tariff rebate of only 25 billion yuan remains. Because of the imperfection of the country's domestic taxation system, falsification of exports to obtain fraudulent tariff rebates has become a serious problem. A substantial portion of export tariff rebates, which are equivalent to the former government fiscal subsidies, do not end up subsidizing exports. This also shows that the new tariff rebate methods that the country adopted out of anxiety about restoration of its GATT status, and in order to conform to international practice went beyond the country's domestic taxation system reforms and government's real control capabilities.

Before the tax collection reforms inaugurated in 1994, the export tariff rebate rate averaged 11.2 percent. After inauguration of the new taxation system, the export tariff rebate rate was changed to both 13 percent and 17 percent. This converted to a tariff included in the

price averaging 14.2 percent. The actual tax burden on exports did not increase; thus, the export tariff rate was three percentage points higher than the actual tax. Consequently, the government decided to lower the export tariff rebate rate by three percentage points, effective 1 July. As a result, foreign trading companies stepped up exports causing a skyrocketing of exports during the first half of the year. This suggests that exports on this scale will not likely continue during the second half of the year; thus, the desire to stimulate them through exchange rate devaluation.

I oppose the idea of short-term RMB devaluation (for one to two years, for example). My first reason is that export tariff rebates are a fiscal matter, and export tariff cheating is a control matter, neither of which can be passed off to domestic inflation through exchange rate devaluation.

The annual \$12 billion fiscal export subsidy was abolished in 1990. During that year, exports within plan totaled \$40 billion; thus, the subsidy averaged 0.30 yuan RMB for every dollar's worth of exports. Thus, the RMB should have depreciated 0.30 yuan following cancellation of the subsidy. Surprisingly however, the exchange rate depreciated from 1:3.7 in 1990 to 1:8.7 in 1994. An overwhelming majority of this was caused not by exchange rate reform but by a rise in domestic prices, and a large portion of the rise in prices was not attributable to domestic price reform but to domestic currency inflation. One might say that price and exchange rate reform factors have long since ceased to play a role, and that the exchange rate devaluations of recent years are attributable largely to domestic inflation. Calling for further devaluation can only create a vicious cycle of RMB domestic and foreign devaluation, and increased foreign debt and import burdens. Nor can endorsement of losses in overall returns substitute for the fiscal role of export tariff rebates.

Exchange rate devaluation and price adjustments are both monetary methods, and the main reason that they cannot substitute for fiscal methods is the different nature of the two. Fiscal methods solve problems in the economic structure; monetary methods solve aggregate economic problems. The cancellation of fiscal subsidies in favor of price readjustment during the early period of China's reform was also deficient despite its reform character. For example, both export subsidies and tariff rebates were by industry. They were intended to encourage the export of processed goods. When changed to a general devaluation of the exchange rate, products whose export entails high foreign exchange costs will continue to lose money as before, while products whose export entails low foreign exchange costs (largely low price-elasticity indigenous



merchandise and silk fabric) will be snapped up because of the high profit. High prices will stimulate their blind production, and soon the supply of such products will exceed demand. Then prices will tumble, wrecking the basic production and export pattern and causing grievous losses. Therefore, no matter the level to which the exchange rate is devalued, either fiscal subsidies or tax reduction or exemption will be required to regulate the export structure. To advocate devaluation of the exchange rate as a means of solving the export tariff rebate problem is not enough. Whether out of ignorance or to gain profits for state-owned foreign trade blocs, this is a basic mistake that runs counter to the basics of economics.

One extremely dangerous tendency in macroeconomic regulation and control in China today is the steady pressure to pass along fiscal functions to prices whenever administrative measures fail and fiscal difficulties occur. Prohibition of the use of bank overdrafts to cover fiscal deficits is a step in the right direction, but great increase in the national debt likewise leads to the issuance of too much money. Getting rid of the accumulated debts and social burdens of state-owned enterprises, and the chaotic situation in tax collection, including cheating on export tariff rebates, are problems that the government must rectify, and that also require rectification of the government. Constantly passing them along to society by issuing more money and exchange rate devaluation has no positive effect whatsoever, not only because fiscal means and price means have a different function, but also because this is tantamount to depriving society as a whole. Such a method of "treating illnesses any old way and taking the wrong medicine," also reflects the current problems with export tariff rebates. The only correct way to deal with this problem is to crack down hard on export tariff cheating. At the same time, some fiscal subsidies may be revived such as direct subsidies to large-scale exporting concerns and exports. Naturally, this must be premised on crackdowns on corruption and raising administrative efficiency.

### **III. Need for Vigilance About the Tendency of Foreign Capital To Hold Down Currency Appreciation**

The second reason I oppose short-term RMB devaluation is that no longer can the "foreign exchange cost of exports" determine the exchange rate level. This is the method of the planned economy in which state-owned enterprise losses were fully subsidized. China's foreign trade system has changed. Command style export plans have decreased to less than 30 percent; the exports of foreign-owned enterprises account for 30 percent of all exports; and the exports of township and town enter-

prises account for 80 percent of the new increase in exports. The price and exchange rate system of the market economy has begun to regulate exports, and foreign trade is increasingly becoming a product of changes in domestic total demand. Depressed domestic total demand during the past two years has been a godsend for exports. The foreign exchange cost of exports has not been able to rise very much, particularly for non-state-owned foreign trading companies. Some people ask why it is that since domestic prices have increased by double digits for three consecutive years, and since the domestic value of money determines its value abroad, why has there been no devaluation of the exchange rate? Such mechanical application of "purchasing power parity doctrine" overlooks the duality of China's prices. During the first half of the 1992-1993 economic cycle, means of production prices rose 40 to 50 percent each year. This struck directly at exports because 80 percent of the country's exports are manufactures. Thus the RMB went down in value from 1:5.80 to 1:8.70, which was too great a devaluation. China has been in the second half of the cycle since 1994 during which prices of consumer goods and prices of services have risen very high, but prices of means of production are steady. Most of the rise in prices is not on international trade goods, so it does not directly stimulate devaluation of the RMB abroad.

More important and more serious for China's economy and exports is the third reason, which is that large imports of foreign capital hold down appreciation of the RMB.

The temperature at which China's economy operates is one order of magnitude higher than that of the international economy. China's economic growth rate is 10 percent; the United States's is 3 percent. China's inflation rate is 20 percent; the United States's is 5 percent. In China, the interest rate is 10 percent; in the United States, it is 5 percent. This produces a potential for large amounts of foreign capital to enter China where profits can be made on foreign exchange arbitrage. Despite the repeated statements of control officials that China's foreign exchange control system does not permit the entry of "hot money," nevertheless, if the effectiveness of China's controls at the present stage are overestimated, the situation may be misjudged. Even were China able to limit international speculation capital, direct investment of foreign capital is also a form of disguised "added profits from exchange arbitrage." This produces a "bubble economy" in exchange rates: the higher the anticipated rise in the RMB exchange rate, the more foreign capital enters the country; and the more foreign capital enters the country, the more the RMB appreciates.

This new trend is enough to bankrupt "devaluation theory." Even if the central government wants to devalue the RMB, it cannot. At best, it can only buy up large quantities of foreign exchange to keep the RMB basically stable with slight appreciation. Does slight appreciation hurt exports? The key lies in foreign trade system and enterprise system reform.

Renminbi devaluation is not possible in the near term, but to suppose that the RMB will continue to appreciate is also overly optimistic. Since there is a bubble component in RMB appreciation, sooner or later, it will burst. If serious domestic currency inflation occurs, a tremendous devaluation of the RMB can occur suddenly. Of course, this is only a possibility, and it will not happen during the next year or two. The current cries of wolf, which stem from selfish departmental interests, are of no significance. We must proceed from the overall and the long-range interests to guard against the arrival of real "wolves."

After repudiating "devaluation theory" and advocating near-term stabilization of the RMB exchange rate, it is extremely necessary to point out the dangers of continuous appreciation of the renminbi. The simultaneous appearance of increased growth of the domestic economy and merging into the international economy means choices must be made among the crises that may occur. Administrative measures must be used at this time, but costs may become higher. In the course of high speed development, we are gradually approaching certain crises of which the conflict between export tariff rebates and exchange rate appreciation that confronts us today is but one example. Unavoidable events will certainly occur. The problem is that we must clearly understand them and apply proper and well-founded macroeconomic regulation and control. The key to doing this lies in completing pervasive reform during the crisis, striving throughout the reform period for large overall social returns and relatively small costs.

\*PRC: Impact of Nonperforming Loans on Inflation  
96CE0119B Beijing CAIMAO JINGJI [FINANCE  
AND TRADE ECONOMICS] in Chinese 11 Dec 95  
No 12, pp 26-27

[Article by Zhou Tianyong (0719 1131 0515), Economics Department, Central Party School: "Nonperforming Bank Assets and Inflationary Pressures"]

[FBIS Translated Text] Scholars have discussed in depth price fluctuations caused by too large a scale of investment, cost push, shortage of supply of farm products, and distortions of the economic structure, distortions from which they have formed various points of view about the reasons for inflation. However, it

is rare to see an exploration of how the increase in nonperforming bank assets produces inflationary pressures, and their impact on prices. The writer intends to present some of his own views on this matter here.

Western economists make numerous implicit assumptions when studying the inflation issue, one of which is that the borrowing and lending of money between banks and debtors proceeds like clockwork according to market norms for repaying capital with interest on borrowed money, and under the monitoring of the legal system. In this scenario, when creditors lend money to borrowers, they actually transfer to borrowers for their use merchandise whose consumption they themselves have deferred. In turn, the debtor uses the labor or products that the money creates to produce income and merchandise for repayment of the debt. Consequently, various reasons such as excessive total demand, cost push, and structural distortions may create different kinds of inflation, but the inflation has nothing to do with the relationship between banks and enterprises.

Nevertheless, in China's real national economy today, the credit relationship between banks and state-owned enterprises is abnormal in the extreme. Banks issue approximately 85 percent of all loans to state-owned enterprises, and the real interest rate on bank loans to enterprises averages about 14 percent. All in all, about 70 percent of all enterprises carry asset loans, and the profit rate on assets (after-tax profits + interest included in costs) is only somewhat less than 6 percent. This means that on every 100 yuan of business, state-owned enterprises not only make no profit, but lose 3.80 yuan. The sustained decline in efficiency and the large losses of state-owned enterprises both eats up state-owned net assets and is passed along to the banks, the banks ending up with large amounts of non-performing assets. This cannot but have an adverse affect on the correlation between money and commodities, and between supply and demand.

First of all, the banks non-performing assets are an indication that the debtors did not produce corresponding merchandise. Thus, the debtors create an imbalance between depositors' demand for money they have deposited and the supply of money after loans have been given to businesses. This produces a total demand that is larger than total supply. The economic implications of bank non-performing assets resulting from enterprises' low efficiency are as follows: Depositors lend money to debtors through the banks, which is to say that, in effect, they lend to enterprises for their use merchandise whose consumption they themselves have deferred. The enterprises use the money they have borrowed to pay for production and to pay for living expenses (workers' wages) in the marketplace. The consumption of



means of production, and of means of livelihood (whose consumption depositors have deferred) creates demand. However, after enterprises have consumed the means of production and means of livelihood (whose consumption depositors have deferred), low efficiency, and inability to create correspondingly effective supply are manifested in money turnover problems. Enterprises are unable to make normal repayment of principal plus interest to the banks. However, the banks in which depositors have deposited money cannot repudiate their responsibility to depositors. They become debtors responsible for the assets deposited in the form of savings. Hidden devaluation of depositors' bank deposits occurs. Therefore, total demand is bound to be greater than total supply, and this creates inflationary pressure in the operation of the national economy. When depositors withdraw funds from the bank for consumption purposes, the merchandise whose consumption they deferred have already been consumed by low efficiency enterprises without creating a corresponding supply. When corresponding merchandise cannot be purchased, inflationary pressure is bound to cause a rise in prices.

The most direct and the most rapid inflationary pressures caused in this way are from some loans of a social insurance character that the government backs and that the banks issue, such as "stability and unity" loans, "dumpling (jiaozi 7393 1311) loans" and "blood transfusion support" loans for enterprises that are about to go bankrupt, etc. These loans are never repaid. Depositors give to these enterprises merchandise whose consumption they themselves have deferred, but the enterprises produce virtually no merchandise. Under these circumstances, the depositors' money is devalued 100 percent.

Second, an excessive money supply is an important reason for inflation, and too large a money supply, particularly too large a supply of credit, causes an increase in banks' non-performing assets when low-efficiency enterprises collapse. In China, the low efficiency of enterprises is manifested in the way loans are used, meaning a steady decline in the loan input-output rate. In 1980, the output rate for every yuan of credit was 1.82 yuan. By 1993, this rate had declined to 0.93 yuan. Since about 85 percent of credit went to state-owned enterprises, it was actually the efficiency of state-owned enterprises that declined steadily. Enterprises' low efficiency meant inability to repay principal and interest normally. Inability to repay principle and interest resulted in large numbers of non-performing loans, and bad debts. Increasingly bank assets were crushed under the weight of non-performing assets and became unable to circulate. The speed of turnover of all bank credit funds slowed with the result that the amount of loan

money required for the same GNP increased greatly. For example, in 1980, 55 yuan of credit was needed to produce 100 yuan of GNP, but by 1993, 108 yuan of credit was needed to produce 100 yuan of GNP. This means that at the 1980 loan input-output rate, we could cut nearly in half the supply of credit needed to produce the current GNP.

Owing to enterprises' low efficiency, the amount of money needed to produce an equal amount of merchandise is also relatively greater (or may even be a bottomless pit). Credit demand is great. Moreover, low efficiency enterprises can neither repay principal and interest normally, nor can they produce merchandise normally. Frequently bank ledgers show more loans than savings. When this happens, the central bank uses noneconomic issuance of money to close the money gap. The loss of too much money in low efficiency bankruptcies and correspondingly relatively little (generated) supply has caused a hidden devaluation of depositors' savings.

Furthermore, low efficiency enterprises' constant consumption of net assets, and their consumption of bank loans (actually, they are consuming the savings of city and countryside residents), results in devaluation of the credit assets of creditor banks through insolvency, and thus a direct devaluation of depositor's savings. For example, an enterprise that has assets of 200 million yuan, but a 200 percent debt rate means that depositors have loaned this enterprise 400 million yuan through the banks. The constantly nibbling away of this amount through the enterprise's low efficiency means that it has now has a value of 200 million yuan. The face value of depositor savings has devalued 50 percent. If the enterprise goes into bankruptcy and liquidation as a result, since the pay off rate to banks from assets of enterprises that go bankrupt is only 10 percent, depositors' deposits sustain a 95 percent devaluation. Today, a substantial number of the country's state-owned enterprises are insolvent. Because of the decline in efficiency and the steady rise in interest rates, the number of insolvent enterprises, and the degree of insolvency are increasing and deepening. Therefore, the inflationary pressures resulting from the trend toward more insolvency and deeper insolvency are becoming greater and greater.

The non-performing assets of banks, and losses charged to account, including insolvent enterprises, are actually empty bubbles from which disadvantages are greater than advantages. The national economy is already operating in a bubble to a certain extent, and it is not mostly speculation in real estate, stock shares, etc. that are inflating this bubble, but the principle and interest repayment void created by the low efficiency of state-owned enterprises, the draining away of bank assets,

and the organic wasting away of state-owned assets. This means that although it may appear that the banking system and state-owned enterprises have oodles and oodles of assets, since enterprises are too greatly in debt, a very large chunk of their net assets and bank credit has been eaten away by low efficiency enterprises. This causes non-performing loans and bad debts for which no hope exists that principal and interest will be repaid. A substantial portion of enterprise assets and bank assets are only so many fictitious figures on account books. Unless the low efficiency of enterprises and investment are cured at their source, the continued eating away of bank assets and the net assets of state-owned assets through low efficiency will increase the number of non-performing loans and bad debts. The amount and extent of insolvency will widen and deepen. The day will come when these fragile bubbles that support the national economy will collapse.

In summary, I believe that inflationary pressure in China for the past half year has come from the low efficiency of state-owned investment and state-owned enterprises. A substantial portion of this low efficiency stems from the increase in insolvent enterprises, and from the deepening of their insolvency, the year-by-year increase in bank's non-performing loans and bad debts, and the accumulation of inflationary pressures. Meanwhile, the low efficiency, slow turnover, and large quantity of loans have forced banks to supply more credit funds and to resort to non-economic issuance of currency. This has caused a devaluation of the money in depositor's savings accounts, and of society as a whole. This must be understood clearly if we are to work hard on improving efficiency, increasing supply, and reducing banks' non-performing assets to control inflation from the supply side of the national economy.

### Foreign Trade & Investment

**PRC: Foreign Trade Spokesman on Foreign Trade System**

*OW3101062596 Beijing XINHUA Domestic Service in Chinese 0833 GMT 30 Jan 96*

[By reporter Ding Jianming (0002 1017 6900)]

[FBIS Translated Text] Beijing, 30 Jan (XINHUA) — Hu Zhaoqing, spokesman for the Ministry of Foreign Trade and Economic Cooperation [MOFTEC], told Chinese and foreign correspondents here today that, as the national economy continued to develop in a sustained, rapid, and healthy manner in 1995, the development of China's foreign trade continued to be good, and remarkable results were achieved in all business sectors.

Speaking at a news briefing today, Hu Zhaoqing said: The fact that China's foreign trade reached a new level in 1995 was one major indicator of China's significant foreign trade development in the year. According to Customs Office statistics, China's total imports and exports in 1995 topped that of the year before by 18.6 percent, reaching \$280.85 billion. Of this growth, exports grew 22.9 percent, reaching \$148.77 billion; and imports grew 14.2 percent, reaching \$132.08 billion.

Hu Zhaoqing said: As the investment environment continued to improve in 1995, the ways of using foreign capital were more efficient, and the amounts of foreign capital China used also increased steadily. Statistics show that, compared with 1994, the number of foreign investment projects the nation approved declined 21.82 percent to 37,126; but the total amount of capital foreign businesses agreed to invest in China grew 10.91 percent, reaching \$90.288 billion; and the total amounts of capital China actually used grew 11.69 percent, to \$37.7 billion. By the end of 1995, the nation had approved 258,903 foreign investment projects, and used \$133.372 billion foreign capital. China has now become one of the developing countries that have absorbed the greatest amounts of foreign capital.

Hu Zhaoqing noted: The general traits of foreign investments in China last year were that the setup of foreign-invested production projects was more rational; projects concerning basic industries, infrastructure construction, energy development, and communications, as well as large and medium-size capital- and technology-intensive projects which the state encouraged became foreign investors' favorites, whereas the number of state-restricted projects decreased; foreign-investment projects became bigger; the quality of investment projects was higher; the average amount of foreign investment increased, rising from \$1.77 million in 1994 to \$2.45 million in 1995; and investments by world-renowned transnational companies continued to increase.

Hu Zhaoqing said: China's export of technology and foreign economic and technical assistance programs also made new headway in 1995. The 3,629 contracts which China signed with foreign countries about purchasing their technology and equipment involved \$13.032 billion, topping that of the year before by 217.85 percent; and these imports accounted for 10 percent of the nation's total imports, up from 3.5 percent a year before. The 533 technology export contracts China signed with foreign countries in 1995 totalled \$2.523 billion, topping that of the year before by 57.7 percent. In 1995, the Chinese Government signed framework agreements on governmental interest-subsidized loans with 11 recipient countries; nearly 20 joint-venture assistance and cooperation projects were launched; and the nation undertook



58 complete construction projects for 26 countries, and extended multilateral assistance to 51 countries and regions.

Hu Zhaoqing continued: China has started to launch its Ninth Five-Year Plan this year, and the country will continue to restructure its foreign trade system on the basis of examining its experiences. First of all, we will speed up the process of changing foreign trade businesses' mechanisms, and we will continue to improve the way of exercising indirect control and regulation over foreign trade, primarily through economic and legal measures. Second, to achieve a higher growth in foreign trade, we will carry out a uniform foreign trade system and policy across the country; and we will improve our supervision, intervention, and control over foreign trade through using tariffs, exchange rates, interest rates, credit, taxes, and other measures which are in line with international norms. Third, we will restructure the management of foreign trade and intensify the macroscopic management. We will make constant efforts to restructure import-export management openly, fairly, scientifically, and rationally. To facilitate the project of removing all controls over foreign trade and replace the current approval system with a registration system, we will also carry out pilot projects of authorizing Sino-foreign joint ventures to handle their own foreign trade affairs. Fourth, we will actively promote agency services for import and export businesses and accelerate the process of replacing procurement services with agency services. Moreover, we will continue to restructure our foreign assistance programs this year and speed up the process of adopting new ways of providing foreign aid. Meanwhile, to improve the legal system governing foreign trade and economic relations, we will speed up the process of enacting laws governing foreign trade businesses.

**PRC: State 'Serious' About IPR Protection**

*OW3001154996 Beijing ZHONGGUO XINWEN SHE in English 1222 GMT 30 Jan 96*

[FBIS Transcribed Text] Beijing, January 30 (CNS) — A senior Chinese official said today that the nation has taken serious and concrete steps to protect intellectual property rights.

Mr Hu Zhaoqing, a spokesman from the Ministry of Foreign Trade and Economic Co-operation, criticized a "certain country" for making excessive demands on China which is still a developing nation.

He said, at a news briefing today, that China's attitude towards the protection of intellectual property rights is very serious and "it has made and will continue to make efforts to improve the situation."

China has enacted a series of laws concerning protection in this area that accord with international standards. He admitted that piracy still existed in China and that it would take time to build a judicial mechanism to effectively protect intellectual property rights. He said that even in developed nations piracy had not been completely eradicated.

While criticizing an unidentified country for often pointing its finger at China on this issue, he placed greater emphasis on the solutions to the problem. He said that the Chinese Government would severely punish intellectual property pirates if the evidence was conclusive.

**PRC: MOFTEC Rejects Criticism of PRC IPR Protection**

*OW3101003096 Beijing ZHONGGUO XINWEN SHE in Chinese 0920 GMT 30 Jan 96*

[By reporter Yu Donghui (0151 2639 2547)]

[FBIS Translated Text] Beijing, 30 Jan (XINHUA) — A high-ranking official of China's Ministry of Foreign Trade and Economic Cooperation [MOFTEC] today accused "certain countries" [you di guo jia 2589 4104 0948 1367] of harshly treating a developing country like China. He pointed out: Even though problems of protecting intellectual property rights [IPR] still exist, the key issue is that the Chinese Government's approach toward IPR protection is serious and pragmatic.

MOFTEC spokesman Hu Zhaoqing stressed at today's news briefing that the law China has drawn up for IPR protection is up to world standards, and that the Chinese Government has made great efforts in protecting IPR in recent years, and has accomplished a great deal of work in this regard. He admitted: China as a developing country needs time to perfect its law, the small amount of piracies appearing during the course of protecting IPR should not at all be surprising, and even Western countries have not been able to totally eliminate the phenomenon of piracy.

Without naming names, Hu Zhaoqing criticized certain countries for continuing to accuse China's performance in IPR protection. He stressed: Pointing out the IPR protection problems and solving them are the most important things to do. As long as there is proof, the Chinese Government will punish the IPR infringers according to the law. He indicated that the Chinese Government will continue to make efforts to protect IPR.

**PRC: Crackdown on Trademark Infringement Continues***OW3101154896 Beijing XINHUA in English  
1459 GMT 31 Jan 96*

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — China launched a crackdown on trademark infringement nationwide during the fourth quarter of last year, in order to improve protection of trademarks.

Cao Zhongqiang, vice-director of China's Trademark Bureau, told a press conference here today that the country's commercial and industrial administrative offices handled 14,776 cases of trademark infringement from September through December. Some 40 million yuan in fines and confiscated materials were reported, with violators having to cover economic losses totaling 3.1 million yuan.

The government also seized 1,513 "underground mills" which made and sold fake brand names, confiscated 384 million fake trademarks, and handed over 180 infringement cases to criminal courts.

Statistics show that during the three-month investigation the country checked on 128,000 stores, 20,000 retailers and wholesale outlets, 52,000 trademark printing houses, and more than 90,000 manufacturing enterprises.

He noted that a comprehensive investigation was carried out in the trademark printing sector, which is a major source of the fake trademarks found on the domestic market. During the investigation, the trademark printing right of more than 400 printing houses was revoked.

Cao said that the investigation has contributed to the re-establishment of the market order in the country.

He promised that the commercial and industrial administrative offices will continue to take stern measures against trademark infringement this year.

**PRC: SAIC Cites Intellectual Property Rights Cases***OW3101145896 Beijing XINHUA in English  
1414 GMT 31 Jan 96*

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — The State Administration for Commerce and Industry (SAIC) today revealed 10 cases of trademark infringement uncovered in the last quarter of 1995, seven of which involved foreign trademarks.

In October, the Bureau of Commerce and Industry of Zhongshan City, Guangdong Province, raided an underground factory and discovered 5,700 boxes of fake ESSO and Shell oil, and 54,000 empty containers.

Acting in accordance with the trade mark law, the bureau seized the fake products and fined the factory 286,000 yuan.

Early in September, acting on complaints of Exxon in the United States, authorities in Guangdong seized 7,000-some boxes of fake ESSO and Mobil oil in a motorcycle parts company in Sanshui City. The case was turned over to the local procuratorate.

In November, the Bureau of Commerce and Industry of Wuxi City in Jiangsu Province investigated a local telecommunication factory and found that it had produced 836 walkie-talkie cases using the Motorola trademark and had sold 798 of them, since July 1994.

In accordance with provisions of the trademark law, the bureau ordered the factory to stop its illegal actions and remove the Motorola name from cases still in stock, and fined it 60,000 yuan.

In October, Beijing's Municipal Bureau of Commerce and Industry raided two garment and cloth markets and confiscated 1.81 million fake zippers using the trademark of Japan's YKK Company.

Other cases include illegal use of the following trademarks: the Singer Company, by the Jiangsu New Times Industry and Trade Company; "Crocodile" of France's Lacoste, by two Shanghai companies; and Toshiba, Marlboro, "555", and other foreign trademarks, by the Wuzhou Printing House in Shantou City of Guangdong Province. All the violators have been dealt with in accordance with the law.

Cao Zhongqiang, vice-director of the Trademark Bureau of SAIC said at a press conference here today that China will continue its efforts to protect foreign trademark owners.

A lawyer with YKK said that the action by SAIC in Beijing shows the Chinese government's determination to protect intellectual property rights and would help improve China's investment environment.

**PRC: Import Tariff Policy Not To Dampen Capital Inflow***OW3001155696 Beijing XINHUA in English  
1530 GMT 30 Jan 96*

[FBIS Transcribed Text] Beijing, January 30 (XINHUA) — China's adjustment of its import tariff policy will not affect its foreign capital inflow, a spokesman for the Ministry of Foreign Trade and Economic Cooperation said here today.

In response to a question at a press conference, the spokesman, Hu Zhaoqing, described the move as a major step toward deeper reform and broader opening.



China announced the abolishment of the preferential policy on import tariff for foreign-funded enterprises at the end of last year and the policy will go into effect as of April 1 this year.

Hu said that although it will take some time for foreign investors to adapt to the adjustment, the general trend for China's foreign investment will remain good and unaffected.

To ensure smooth transition, the spokesman noted, the Chinese government has taken into consideration the specific conditions of foreign-funded enterprises, including those to be established soon.

He said that a three-month transitional period is given from the time of the announcement to the actual implementation of the policy so that those foreign-funded enterprises to be set up during the transitional period can get enough time to go through the approval procedures.

Meanwhile, foreign-invested enterprises established before the announcement of the policy will be given a grace period of one to two years during which their imported equipment can still enjoy tax exemption or reduction.

Hu expressed the conviction that with the establishment and improvement of the socialist market economy, China's overall investment environment will be further upgraded and all foreign investors seeking long-term development in China will make profits.

**PRC: Electronics Industry's Use of Foreign Funds Cited**

*OW3101084596 Beijing XINHUA in English*  
*0715 GMT 31 Jan 96*

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — China has seen about 6,400 foreign-funded ventures newly added to its electronic information industry over the past five years, with three billion US dollars of foreign investment in actual utilization.

Including those established before 1991, the sector has more than 8,000 joint ventures, with a total of four billion US dollars of foreign investment used.

The total output value of the electronics industries maintained an average increase rate of 27 percent during the 1991-1995 period, with that of last year reaching 245.7 billion yuan.

The export value of electronics products was 17 billion US dollars, exceeding that of imports for the first time in many years.

During the period 1996-2000 the output value of the electronic information industry is expected to grow at an annual rate of over 20 percent.

By the year 2000 the sector's output value will hit 700 billion yuan, accounting for eight percent of the country's total, with its export value up to 35 billion US dollars.

**PRC: Sino-UK Aviation Ties 'Take Off' in Beijing**

*OW2401114896 Beijing XINHUA in English*  
*1130 GMT 24 Jan 96*

[FBIS Transcribed Text] Beijing, January 24 (XINHUA) — Top Chinese officials and experts from the aviation industry gathered here today at a British Aviation Exhibition to discuss future Sino-British cooperation in the field.

The three-day exhibition, named Take Off, shows the development of Britain's aviation industry which covers technology, aircraft manufacture, education and training, repair and maintenance, systems and equipment, airport design, space as well as construction and services.

Mr. Anthony Nelson, British Trade Minister who is on a visit to China here, attended the opening ceremony this morning, and termed the exhibition "a match and link between two great countries and two great industries".

Zhang Yanzhong, vice president of Aviation Industries of China (AVIC), said Sino-British cooperation in aviation industry can be traced back 20 years ago, and has since covered areas from products to research and development.

Major Sino-British cooperative projects underway include an aero engine training center established by Rolls-Royce International Ltd. in Tianjin, a joint venture between Lucas Aerospace and Xiamen Aviation Industrial Co. For the repair of airplane components and aero engines in Xiamen.

Gordon Gurr, president of Rolls-Royce's China company, said Rolls-Royce is waiting for the approval from the Ministry of Trade and Economic Cooperation to establish an investment holding company to manage its investment in China, which will be injected an initial capital of 30 million US dollars.

Seven British aerospace and aviation companies and European consortium Airbus Industrie participate in the exhibition.

The exhibition, sponsored by the British Chamber of Commerce in China, will also go to the cities of Shenyang, Shanghai, Guangzhou, Chengdu and Xian

within the year. With the exception of Guangzhou, the other four cities are all major bases for China's aviation industry.

**PRC: New Shanxi Customs House To Improve Trade Condition**

OW3001032996 Beijing XINHUA in English  
0257 GMT 30 Jan 96

[FBIS Transcribed Text] Taiyuan, January 30 (XINHUA) — A customs house, believed to be the most comprehensive in north China, was opened recently in this capital of Shanxi Province.

The new facilities at the only land port in the province are expected to improve the movement of goods not only of Shanxi but also of neighbouring regions in north China.

Foreign trade in inland Shanxi was previously handled of necessity through the port of Tianjin which is several hundreds miles away. An international container company jointly founded by a local transportation company and a container company in Tianjin in 1993 had to some extent alleviated the pressures caused by fast growing foreign trade.

The new port facility however, which was a key State project costing 26 million yuan (3.13 million US dollars), was designed to handle 500,000 tons of goods and storage of 300,000 tons of goods, and will be linked to the Taiyuan-Jiuguan Super Highway to be completed in June this year.

Shanxi has already formed trade ties with over 100 countries and regions in the world, and has an annual foreign trade volume worth some one billion yuan.

Shanxi opened its air port for foreign trade in August 1993.

**PRC: Correction to China To Improve Foreign Investment Environment**

HK2601100696

Beijing CHINA DAILY in English on 26 January carries on page 5 a correction to the item headlined "Minister: China To Improve Foreign Investment Environment," published in the 25 January China DAILY REPORT, page 42:

Page 42, column 2, fifth paragraph, only sentence, make read "...and gradually introduce national treatment to overseas investors..." changing "preferential policies" to "national treatment."

## Agriculture

**\*PRC: Acceleration of Rural Property Ownership Reform**

96CE0103A Beijing ZHONGGUO GUOQING GUOLI [CHINA NATIONAL CONDITIONS AND POWER MONTHLY] in Chinese 28 Oct 95 No 10, pp 13-14

[Article by Tian Yingkui (3944 2019 1145): "Speed Up Rural Property Rights Reform"]

[FBIS Translated Text] A good job of rural property rights system reform is important for the fostering of leading rural market entities, for improving the operating efficiency of the overall rural economy, and for promoting rural economic development and social progress. Practice shows that rural property system reform means a pervasive change in rural production relationships at the present stage that reflects, in a concentrated way, inherent requirements for the development of rural productivity.

**I. Necessity For, and Actual Experiences in Rural Property System Reform**

Because of new situations that have occurred in the recent development of market agriculture, development of the rural economy confronts numerous new contradictions and problems. The rural contracting system also manifests contradictions in numerous regards: 1) The market economy's need for clear-cut property rights conflicts with murky rural property rights relationships. 2) The market economy's need for rational circulation and optimum allocation of production elements conflicts with the current insulation and stagnation of rural assets. 3) The dispersed character of farming conflicts with the need for specialization, economies of scale, and industrialization of agricultural production. 4) Static land distribution policy conflicts with the dynamic population and the industrial and market situations. 5) The shortage of natural resources conflicts with relative surplus social resources. 6) Market integration conflicts with local agricultural market and industrial autarky. 7) The combination of centralization and decentralization conflicts with pluralism and socialization. 8) Greater building of grass-roots political authority conflicts with the weakened rural collective economy.

In view of these circumstances, some areas in China have made a major effort to develop practice in rural property rights reform, using promotion of the share system and cooperative systems as the main vehicles. The marked results obtained from property rights system reform have been manifested prominently in the following ways:



First is further emancipation and development of rural productivity. Property reform has changed the separation of the two rights [the right of ownership and the right of management] into the integration of the two rights. Thus, the peasants have obtained not only the right to use collective assets, but also the right of ownership for a certain period. This has further clarified property rights, overcome fear of change, solved short-term behavior problems fairly well, and effectively stirred the interest of the peasants in production, and large-scale development of production for large increases in income.

Second is promotion of a rural division of labor, different lines of work, and farming on a proper scale. Development of a market economy requires circulation of production elements, and following a course of specialized and socialized production. Reform of the property system, destroying the autarkical single family mode of production, promotes cooperative production and hastens the division of labor in rural industry.

Third is acceleration of rural industrialization. The beginning of township and town industry in the early 1980s stemmed, to a very large degree, from a good financial climate and institution property rights reform. To begin to build a diversified investment mechanism and to develop a large number of cooperative shares, economic organizations bound together by assets not only use to best advantage large quantities of assets, but also ease the serious shortage of funds of township and town enterprises by getting staff and workers to buy shares.

Practice shows that reform of the property rights system is an intensification and a perfection rather than a repudiation of the contract system. Reform of the property rights system is needed urgently for the fostering of a rural socialist market economy system, and an objective necessity for recreation of a new means of managing the rural collective economy.

## II. Defining Rural Property Rights

Defining rural property rights means determining the ones responsible for the net assets whose ownership has not been clarified in the rural collective economic organization. The public ownership system in which land is the basic means of production determines the ownership of land for which no redefinition is required. However, ownership of land use rights, operating rights, benefit rights, and the right to dispose of farm products freely, as well as the net assets of the rural collective economy organization should be defined realistically, scientifically, and rationally according to pertinent provisions of national laws.

1. All authority over land other than ownership of land, such as land use rights, operating rights, benefit rights, and the right to dispose of farm products freely should be delegated to the masses.

2. Regarding the definition of other kinds of net assets in the rural collective economic organization, inasmuch as existing collective net assets have been accumulated by the collective over a long period, the right to them should be enjoyed jointly by members of the collective economic organization. Ownership of most net assets should be in the name of individual workers so as to give substance to the personal rights of workers. This means that when the net assets of rural collective economy organizations are quantified, the following principles must be followed:

First, collective net assets may not be divided up and distributed. Second, individuals may not withdraw or use for the repayment of debts that portion of assets designated for individuals. Third, dividends from the portion designated for collective ownership must be used primarily to expand reproduction and to run collective social welfare services. Fourth, distribution of the portion designated for workers must respect the wishes of the peasants, must ensure no damage to peasant interests, and may not be ordered or carried out with arbitrary uniformity.

3. In defining the property rights of the privately owned economy, including those of individuals, partnerships and, associations of individuals, inasmuch as these property rights are clear in principle, all that is needed is positive guidance toward development of a share partnership system that further clarifies property rights and regulates them.

4. The definition of property rights applies to a specific area. No organization or individual outside the area may intervene in any way. The occurrence of new rights infringements is to be guarded against.

5. Several problems to be watched in defining rural property rights: Reform of the rural property rights system relates to the interest relationships of all parties in rural villages. They are both numerous and extensive; the situation is complex, and the rights have strong policy overtones. Numerous problems must be further looked into as matters proceed, and experiences must be summarized. The following several problems require attention:

First is correct handling of economic interest relationships between township and town governments and all economic organizations, such as fair and rational methods for dividing up rights to net assets that have been created by the three-level system of ownership of the

means of production—ownership by the commune, by the production brigade, and by the production team, the last being the basic accounting unit.

Second is correct handling of interest relationships between enterprises and their staff and workers. Property rights to enterprise assets created before property rights reform must be divided up proportionally on the basis of the contribution of the enterprise and the staff and workers.

Third, egalitarianism and unfairness are to be avoided in defining property rights.

Fourth, attention must be paid to new problems concerning unclear rights to collective assets, as well as the bleeding away and corrosion of collective assets.

### III. Main Forms of Rural Property Rights System Reform

Numerous means may be used to reform the property rights system. Different forms of property rights reform may be employed depending on different circumstances and characteristics.

1. Institute a fairly standard share cooperation system for rural village-operated enterprises. System reform methods are of four kinds: First is the conversion of stock assets to shares that are then sold, "reforming the system after selling the shares, the staff members and workers in the enterprise holding the shares." The second is to increase the number of shares representing the stock assets, then assigning quantities of the existing collective net assets to staff members and workers by name, the staff members and workers subscribing to shares at certain ratios according to the principle of "ownership by those who invest," thereby increasing aggregate capital. Third is system reform through auctioning when stock assets are scant or when an enterprise is insolvent. Fourth is instituting a cooperative shares system as soon as a new project is built.

2. Actively set up share partnership operations in individual partnerships, guiding institutions of cooperative share systems in individually operating associations that operate over a wide area and on a small scale.

3. Make a major effort to develop a cooperative shares economy in every field of agriculture, instituting cooperative share system reforms of various kinds in the farming and breeding industries, orchards, water conservancy facilities, development of the "five wastelands," and mechanized farming services.

4. Set up rural cooperative share funds of a community capital mutual assistance character, introducing the share system mechanism into the cooperative funds, and operating the cooperative funds using share system

methods. The operation of cooperative share funds in rural villages has four advantages: One is a widening of financing channels for flexibility in raising money. Second is truly expressing autonomy in operations, democracy in decisionmaking, and effectiveness in supervision in the management mechanism. Third is use of dividends as the main way of distributing profits, which enhances the benefits mechanism. Fourth is clarification of proper rights relationships in money management, which helps money management and supervision.

5. Vigorously develop a cooperative share system economy in which key enterprises play a leading role, and in which production, processing, and marketing are integrated, fusing into one both key enterprise advantages and local resources advantages, providing a series of pre-production, during production, and post-production services to shareholding members, realizing the economies of scale, reducing market risks, and gradually realizing the specialization of production, the integration of operations, and the socialization of services.

6. Do a good job of running transitional cooperative share economy pilot projects in all villages; and convert rural collective economy net assets to shares under the names of villagers, introducing the share system, and change all villages into rural cooperative shares economy organizations.

### IV. Several Perceptual Problems That Must Be Solved for Reform of the Rural Property Rights System

Some lopsided understandings exist today about rural property rights system reform, the principal of which are as follows: People wonder whether property right reform will invalidate large-scale contracting and undermine the party's basic rural policies; whether property right reform will cause a bleeding away of collective assets and a weakening of the collective economy; and whether the time is not yet ripe for promotion of the share system, etc. These lopsided perceptions need clarification. We believe as follows:

1. Property rights system reform in rural villages means defining collective assets property rights. It does not mean dividing collective assets among the masses, much less does it mean privatization. Property rights reform is an augmentation and a perfection of the contract system. This is because, first of all, there is no change in the two substantive features of the contract system, namely making one's own operating decisions, being responsible for one's own profits and losses, the greater the work the greater the return. Second, property rights system reform is essentially further reform of the rural



production and operating system founded on the planned economy, the goals of which are consistent with a market economy system.

2. Rural property rights system reform is a transformation of the form of collective assets, and giving ownership concrete form. The collective economy is not weakened thereby. In terms of configuration, the amount of tangible assets that the collective controls and operates directly is decreased, and the relationship of the representatives of the collective, i.e., the village committees with material goods has become more distant. However, this does not mean a bleeding away of collective assets or a weakening of the collective economy. This is because after the collective economy institutes a share system or a cooperative system, collective control over assets or over materials goods changes to control of assets. It uses rights that are assigned, the effective value of which has been recovered in the form of money. There is no change in the aggregate value of the collective economy. Some collective assets (such as the "five wastelands") may be used to the fully through the transfer of some ownership rights and use rights.

3. In rural villages, institution of the share system and the cooperative system does not mean that the assets of individuals and partnerships revert to collective ownership, but rather that individuals and partnerships are helped to set up charters and establish systems, using share system cooperation to expand the scale of production and realize the economies of scale.

4. Spread of the cooperative shares system is for the purpose of further clarifying the obligations, rights, and interests of share owners for full arousal of the enthusiasm of all parties concerned. It is not following the old road of cooperativization and collectivization.

5. Promotion of the cooperative shares system does not weaken government's leadership of enterprises, nor does it remove enterprises entirely from government macroeconomic regulation and control. Instead, it further improves the form of government leadership of enterprises, and transforms enterprises' operating mechanisms to make relations between government and enterprises more consistent with requirements of the market economy.

**\*PRC: Drop in Procurement Prices Hurts Peasants**  
**96CED102C Chongqing XINAN JINGJI RIBAO**  
**in Chinese 26 Nov 95 p 3**

[Editorial by Mo Yingling (5459 2019 3781): "Drop in Guangxi Grain and Oil Procurement Prices Should Cause Serious Concern"]

[FBIS Translated Text] Comrade Editor:

Ever since the national government raised the procurement price of grain and cotton in 1994, procurement prices of grain and oil-bearing crops in Guangxi have consistently increased at a fairly high rate. The peasants have indeed obtained a certain amount of real benefit from farm products; however, ever since the beginning of 1995, thanks to the relatively good agricultural production situation and bumper crop harvests, a downward trend in the procurement price of grain and oil has occurred throughout the region. Survey data show a 66.1 percent increase over the same period in 1994 in the composite average price of grain products in the region during the first quarter, and a respective 35.8 and 19.1 percent increase over the same period in 1994 for the second and third quarters of 1995. This was a respective 30.3 and 47.0 percentage point decrease from the first quarter. During the first quarter, the composite average procurement price of edible vegetable oil, and the oil-bearing crops from which it derives, increased 46 percent over the same period in 1994, but during the second and third quarters, the rate of increase was a respective 40.7 and 12.9 percent, i.e., a respective 5.3 and 33.1 percentage points lower than during the first quarter.

The percentage increase in procurement prices of grain and oil suggests that perhaps it is still not possible to explain fully the real changes resulting from procurement prices. However, another look, this time at the procurement prices of various specific kinds of grain and oil, shows clearly a decline in procurement prices of grain and oil.

1. During the first quarter, the composite average procurement price of indica paddy was 188.65 yuan per 100 kilograms, 68.5 percent more than during the same period in 1994. The composite average procurement price of husked indica rice was 252.99 yuan per 100 kilograms, up 39.5 percent from the same period in 1994. The procurement price of corn was 189.98 yuan per 100 kilograms, up 89.9 percent. The procurement price of glutinous rice and soybeans was somewhat higher at 308.00 and 348.72 yuan per 100 kilograms. This was 82 and 51.7 percent higher than during the same period in 1994. However, during the third quarter, both procurement prices and the percent of increase declined markedly from the first quarter. This included a third quarter indica paddy composite average procurement price of 137.71 yuan per 100 kilograms, or 50.94 yuan less than the first quarter price per 100 kilograms. The rate of increase also took a 54.2 percentage point downturn from the first quarter. The third quarter procurement price of corn and soybeans was a respective 168.95 and 309.15 yuan per 100 kilograms. This was 21.03 and 39.57 yuan per kilogram

less than during the first quarter. The rate of increase also took an 8.4 and a 19.5 percentage point downturn.

2. The procurement price of vegetable oil and the various kinds of oil-bearing crops from which vegetable oil derives showed that the composite average procurement price per hundred kilograms of peanuts and shelled peanuts was 186.64, and 749.12 yuan, up a respective 46.9 and 66.6 percent from the same period in 1994. The procurement price of peanut oil and tea oil was 1,337.93 and 1,299.62 yuan per hundred kilograms, up a respective 41.8 and 35.4 percent from the same period in 1994. However, following the oil-bearing crop harvest season during the third quarter, the composite average procurement price of peanuts, shelled peanuts, and peanut oil throughout the region was a respective 298.62, 673.72, and 1,155.44 yuan per hundred kilograms, a downturn from the first quarter by a respective 54.7, 44.3, and 36.6 percentage points. The procurement price of tea oil was 99.62 yuan per hundred kilograms less than during the first quarter.

The foregoing situation shows that not only has a downturn occurred in the rate of increase of grain and oil procurement prices in Guangxi, but absolute procurement prices have also declined in varying degrees. The market price pattern shows that a bumper harvest of grain and oil-bearing crops increases market supply and lowers prices. This is incontestable. However, when the decline in the procurement price is too great, and prices of agricultural means of production throughout the region during the same period are 33.1 percent higher than during the same period in the previous year, and the price of chemical fertilizer is an even higher 49.9 percent higher than during the same period in the previous year, this invisibly takes away a substantial portion of peasant income. Cheap grain hurts the peasants, and it is bound to hurt peasant interest in farming. This can lead to a smaller farming area the following year, which worsens the imbalance between market supply and demand. This should cause serious concern among the authorities concerned.

**\*PRC: Government Sets New Sugar Prices**

96CED102A Beijing ZHONGGUO WUJIA [PRICES IN CHINA] in Chinese Nov 95 No 11, p 32

[Article: "State Planning Commission Rectifies Sugar Price"]

[FBIS Translated Text] Following State Council approval, the State Planning Commission issued "State Planning Commission Circular Notice on the Rectification of Sugar Crop Prices" in August 1995. Accordingly, notice is hereby given about sugar prices and related matters following this rectification.

1. The ex-factory price of sugar shall be set by the provincial government with guidance from the central government, i.e., the State Planning Commission shall formulate the middle standard ex-factory price and the degree of permissible fluctuation with provincial price authorities in producing areas setting the specific price within the prescribed limits. The middle-standard ex-factory price, including tax, of premium quality sugarcane sugar and beet sugar for the 1995-1996 sugar production season shall be 4,550 and 4,850 yuan respectively. Provincial price authorities shall set the specific price 10 percent higher or lower than these prices, and then report the price to the State Planning Commission for purposes of the record. Prices of superior and higher quality white granulated sugar shall be set by provincial price authorities following the principle of premium price for premium quality.

2. The State Planning Commission shall set the sugar production area shipment price. The production area shipment price, including tax, for the 1995-1996 sugar production season shall be set at 200 yuan (including tax) per ton more than the middle standard ex-factory price, i.e., the maximum price may not exceed the state set ex-factory price by more than 200 yuan.

3. The wholesale price of sugar shall be set by provincial price authorities on the principle of tightly controlled costs, and allowing a moderate business profit. Current wholesale prices must be set with a view to keeping 1995 retail prices relatively stable. Transfers among firms must follow the principle of allowing the other party to make a living, prices to be set through discussion within the wholesale price.

4. Provincial price authorities shall continue to adopt measures to improve control over sugar retail prices in order to maintain the stability of current sugar market prices.

5. Sugar prices must be better supervised and controlled, sugar trading must be regularized, and wholesaling of sugar by privately owned or operated enterprises, individually owned industrial and commercial units, and the three kinds of partially or wholly foreign-owned enterprises is strictly prohibited. Conduct in violation of national sugar price policy shall be resolutely investigated and punished.

6. This notice shall become effective on 1 November 1995.

All jurisdictions must diligently implement the spirit of this notice, and report the status of enforcement promptly to the State Planning Commission Price Control Office.



**\*PRC: Cotton Output Estimated for 1996**  
**96CE0123Q** Beijing JINGJI CANKAO BAO  
in Chinese 14 Jan 96 p 2

[FBIS Summary] In 1996 estimated demand for cotton is about 4.3 million tons, and estimated output is 5 million tons. In Xinjiang cotton output is expected to exceed 1 million tons.

**\*PRC: Guizhou Sets Agricultural Goals for 1996**  
**96CE0123P** Guiyang GUIZHOU RIBAO in Chinese  
21 Jan 96 p 1

[FBIS Summary] In 1996 gross output of grain in Guizhou Province will be 9.6 million tons, a 2.1 percent increase over 1995; rapeseed output 565,000 tons, flue-cured tobacco 425,000 tons, and gross output of meat 1,030,000 tons. This year the grain area will exceed 42 million mu. The hybrid rice area will exceed 8.5 million mu, and the hybrid corn area will exceed 6.5 million mu.

**\*PRC: Analysis of Guizhou Farm Prices**  
**96CE0098A** Guiyang GUIZHOU RIBAO in Chinese  
22 Nov 95 p 6

[Article by Gong Yong (7895 0516): "Analysis of Guizhou 1995 Agricultural and Sideline Prices"]

[FBIS Translated Text] Guizhou market prices soared during 1995. Among the changes in prices of various consumer goods, the main factor in the steady climb of the overall price level was the overly rapid rise in prices of agricultural and sideline prices. According to estimates, it was the rise in food prices from January through October that powered a 12-percentage point rise in commodity retail prices with "rice bag," "oil bottle," and "market basket" prices rising a respective 10.2, 3.8, and 32.3 percent. Holding down the too rapid rise in farm product prices remains the key to controlling prices.

A survey conducted by the Provincial Urban Socio-Economic Survey Team shows a general rising trend for agricultural and sideline products throughout the province between January and October. Agricultural and sideline products transaction values rose 35.5 percent above the same period in 1994. A comparison of 28 major products surveyed showed twenty-two had risen in price between January and October, 78.6 percent of them by from 4.0 to 94.3 percent. Prices of five major products declined by from 3.4 to 29.1 percent. The price of one product remained unchanged. The main changes were as follows:

**Some "Rice Bag" Prices Up Sometimes, Down Sometimes**

Grain: The January through October monthly chain ratio rose 3.5 percent. The trend was toward a month-by-month rise from January through April with a steadying and then a gradual decline occurring from May through October. In October, grain sold at 2.87 yuan per kilogram, 7.5 percent more than the 2.67 yuan of December 1994. Reasons for the steady rise in the price of rice during the previous period were: First, it was spurred by the impetus of the steady rise in domestic grain market prices during the winter of 1994 and the spring of 1995. Second, it was driven by the skyrocketing prices of agricultural means of production during the spring plowing period. Third, it was caused by peasant household reluctance to sell grain because of the prospect of obtaining a higher price for it during the period when the previous crop is all but depleted but the new crop has not yet been harvested. Reasons for the steadying of prices with a gradual decline toward the end of the period were as follows: Governments at all levels increased and made use of the "main channel" role of state-owned grain agencies. Second was the increase in grain output throughout the province during the summer, and the bumper autumn grain harvest.

**Month-by-Month Decline in "Oil Bottle" Prices**

Fats and oils: The monthly chain ratio between January and October declined a cumulative 10 percent. This included vegetable oil prices ranging from 8.46 to 10.50 yuan per kilogram between January and October. In October, the price was 8.46 yuan per kilogram in a downturn to the June 1994 price. This was a 20 percent decline from the 10.86 yuan per kilogram price of December 1994. The main reasons for the change in vegetable oil prices from the month-by-month rise during 1994 to the month-by-month decline during 1995 were as follows: In late 1994 and early 1995, the government imported large quantities of edible oil to ease the domestic shortage. Second, rapeseed output increased substantially during 1995 both in the province and in the country as a whole.

**Substantial Fluctuation in "Market Basket" Prices**

Meat, poultry, and eggs: The monthly chain ratio for meat, poultry, and eggs rose another 13.2 percent between January and October, the overall trend being a month-by-month rise during January and February, a month-by-month downturn from March through May, and gradual rise from June through October. This included a rise in the price of pork from 11.26 to 12.15 yuan per kilogram between January and October. In October, pork sold for 12.11 yuan per kilogram, up

9.4 percent from 11.07 yuan in December 1994. The main reason for the change from a rise to a fall in pork prices was the step by step rise in the price of pork during 1994, which stimulated peasant interest in raising hogs. A hog raising craze swept the country beginning in the autumn of 1994. At the same time, the steady rise in livestock feed prices during 1995 (a 21.5 percent rise between January and October over the same period in 1994) prompted a further increase in the cost of raising hogs. Thus, the hog-grain price ratio narrowed rapidly, once again dampening peasant interest in raising hogs. Consequently, quite a few peasant households shortened the hog-raising cycle, removing large numbers of hogs from inventory at the same time. This produced a relative glut in the supply of pork for a short period during spring and summer, prices steadily falling as a result. The main reason for the change from a fall to a rise in the price of pork was steady decrease in the availability of hogs during the last half of the year following the concentrated removal of hogs from inventory during the first half of the year. At the same time, with the automatic readjustment of the hog-grain price ratio, the price of shoats began to rise. In addition, livestock feed prices continued to rise steadily. Thus, the cost of raising hogs remained high, spurring a new round of pork price increases. Rooster prices ranged between 12.18 and 15.50 yuan per kilogram from January through October. In October, the price was 13.17 yuan per jin, up 28.1 percent from the 10.28 yuan of December 1994. Reasons for the frequent fluctuations in the price of chicken were as follows: One was the effect of constant changes in consumption demand at various times. A second was the substantial effect that demand has on chicken prices because the province has no large intensive chicken farms. Egg prices ranged from 3.68 to 5.45 yuan per 10 from January through October. In October, 10 eggs cost 5.45 yuan, up 12.6 percent from 4.84 yuan in December 1994. The main reason for scrambled hens egg prices was seasonal changes in egg laying. In addition, since the province is entirely dependent on individual peasant households for its egg production, an aggregate year-round egg supply cannot be assured; thus, seasonal factors have a substantial effect on egg prices.

**Aquatic Products:** The aquatic products chain ratio rose 7.7 percent between January and October. This included the price of carp, which ranged between 12.61 and 14.53 yuan per kilogram from January through October. In October, carp sold for 12.67 yuan per kilogram, up 5.6 percent from the 12.00 yuan of December 1994. The main reason for the gradual upturn in the price of fish during the first half of 1995 was the tremendous increase in fresh water fish output nationwide during 1994, which caused the fish prices to fall to their lowest point

in nearly seven years. One very large reason for the gradual upturn in fish prices during 1995 was restoration of the price ratio with agricultural products. A main reason for the gradual downturn in fish prices during the second half of the year was steady increase in aggregate supply; another main reason was no marked change in consumption demand. These two factors changed the supply and demand relationship.

**Fresh Vegetables:** Between January and October, the chain ratio for fresh vegetables rose 12.8 percent. Owing to fairly strong seasonality, vegetable prices fluctuate fairly frequently. The general trend was toward a major rise in vegetable prices by comparison with the end of 1994. Changes in prices of "year-round vegetables" show the following: The price of Chinese cabbage ranged between 0.75 and 1.54 yuan per kilogram between January and October. In October, Chinese cabbage sold for 1.08 yuan per kilogram, up 83.1 percent from 0.59 yuan in December 1994. However, this was a 26 percent decline from 1.46 yuan in October 1994. Turnip prices ranged between 0.68 and 1.37 yuan per kilogram between January and October. In October, turnips sold for 0.876 yuan per kilogram, up 77.6 percent from the 0.49 yuan per kilogram of December 1994. However, this was the same price as during October 1994. The price of celery ranged from between 1.62 and 3.11 yuan per kilogram between January and October. Celery sold for 2.73 yuan per kilogram in October, up 54.2 percent from 1.77 yuan in December 1994. However, this was 5.2 percent lower than the October 1994 price of 2.88 yuan per kilogram. The price of tomatoes ranged between 1.71 and 3.22 yuan per kilogram from January through October. In October, tomatoes sold for 2.86 yuan per kilogram, down 3.4 percent from the December 1994 price of 2.96 yuan per kilogram. Bell peppers ranged in price from 1.84 to 5.92 yuan per kilogram between January and October. In October, they sold for 2.00 yuan per kilogram, down 29.1 percent from 2.82 yuan in December. In addition, prices of "year-round vegetables" such as potatoes, soybean sprouts, mung bean sprouts, and zheergen [2124 5101 2704] showed a generally rising trend. The overall trend of prices of "non year-round vegetables" such as bang [2761] beans, peas, cowpeas, young corn, young pumpkins, cucumbers, and cauliflower was a marked decline when in season, and a marked rise when out of season.

**Dried Vegetables:** The monthly chain ratio for dried vegetables rose 37.4 percent from January through October, prices of dried chili peppers, garlic, and ginger rising substantially. The price of dried chili peppers rose continuously for 13 months from July 1994 through August 1995, going from 5.21 yuan to 20.22 yuan per



kilogram. In October, they sold for 15.69 yuan per kilogram, up 59 percent from 9.87 yuan in December 1994. The price of garlic ranged between 3.13 and 4.22 yuan per kilogram between January and October. In October, the price was 4.13 yuan per kilogram, up 96.76 percent from 2.10 yuan in December 1994. The price of ginger ranged between 1.50 and 3.24 yuan per kilogram between January and October. In October, ginger sold for 2.77 yuan per kilogram, up 84.7 percent from 1.50 yuan in December.

**Fresh Fruits:** The fresh fruit chain ratio declined 3.1 percent between January and October. The overall trend was toward a tremendous rise from January through April, and toward a gradual decline from May through October.

**Dried Fruits:** The chain ratio for dried fruits rose 6.2 percent between January and October. The general trend was toward a rise from January through March and toward a steadiness and a decline from May through October.

**PRC: Guangxi Strives To Expand Rural Economy**  
OW2901084096 Beijing XINHUA in English  
0741 GMT 29 Jan 96

[FBIS Transcribed Text] Nanning, January 29 (XINHUA) — Southwest China's Guangxi Zhuang Autonomous Region has decided to expand its rural economy in the next five years.

The region aims to top the national average in terms of agricultural productivity, per hectare output, per capita net income in rural areas and the technological level of agricultural production, a regional agricultural official said here today.

The region will raise its annual grain output to 16.5 million tons from 14.5 million tons in the past five years, expand its forest coverage rate to 50 percent, and boost the output value from non-farming sectors to 75 percent of its rural output value.

The official said the regional government will increase input to improve facilities for agricultural production and support agriculture with science and technology.

To exploit local subtropical resources, the region will also expand its production of sugarcanes, fruits, milk, eggs, meat, fish and vegetables.

Meanwhile, the region will promote the development of rural industrial enterprises, encourage comprehensive exploitation of resources and expand exports of local products.

The official said that the regional government encourages all sides to increase input in agricultural production and welcomes foreign investment in its rural economy.

**\*PRC: Heilongjiang Protecting Grain Procurement Funds**

96CE0102B Harbin HEILONGJIANG RIBAO  
in Chinese 22 Nov 95 p 2

[Article by Yang Baokui (2799 1405 1145) and Correspondent Yang Xin (2799 2946): "Provincial Agriculture Development Bank Proposes New Method For Controlling 1995 Grain Procurement Funds"]

[FBIS Translated Text] A few days ago the provincial Agriculture Development Bank proposed a new method for controlling grain procurement funds in 1995 as a means of improving control over grain procurements, ensuring that grain procurement funds are not diverted to other purposes, and that no "IOU's" are issued.

First is diligent enforcement of a grain procurement funds contract responsibility system. The provincial government decided that in 1995 the Finance Bureau, the Grain Bureau, and the provincial Agriculture Development Bank will jointly contract the provision of procurement funds to government grain agencies in the province. The provincial Agriculture Development Bank will actively raise and supply contract funds, and make them available at the proper percentage, on time, and in full.

Second, the funds that the Agriculture Development Bank is responsible for providing will be flexibly allocated according to a two-track verification method and as inventory increases or decreases. This means that the funds planning department of the Agriculture Development Bank, and representatives of the Bank of Agriculture in various cities and prefectures will simultaneously verify the amount of funds to be provided as progress in procurement and contracting by all agencies warrants. Industrial and commercial credit agencies will verify procurement enterprises' grain inventories, as well as progress in procurement and the amount of funds needed, after which, more funds will be provided. The bank has made an initial allocation of 1 billion yuan to various jurisdictions.

Third is linking bank credit to inventories. Issuance or recovery of loans will be decided on the basis of increase and decrease in the amount of grain and oil in inventory, thereby responding directly to grain enterprises' amount of credit and increases in credit, and to the size of grain enterprises' inventories.

Fourth is separate control of wheat procurement funds. Separate contracting, separate evaluation, and uniform accounting applies to wheat procurement funds.

Fifth is energetic support for fine and deep processing of grain with a special treatment policy being instituted for loans to grain enterprises for deep processing. Support will continue for those concerns that show good returns, have no losses, and who actively repay their loans. Proportional support will be accorded those who repay only a portion of their loans. Those who do not actively repay loans shall be accorded no new credit.

Sixth is diligent enforcement of controls on trans-regional grain and edible oil sale funds, specifically turning over a block of funds based on grain and oil allocation and transfer plans to the marketing area, then recovering an equal amount of credit from the marketing area for grain and oil shipments.

Seventh is prohibition of diversion of procurement funds to other purposes. Funds that the Agriculture Development Bank issues must circulate in a closed system, the funds being recovered when grain is shipped for sale. They may not be kept in a financial unit other than the Agriculture Development Bank, and they may not be loaned to enterprises not concerned with Agriculture Development Bank business. Funds intended for grain procurement may not be used for government payments, or as security for fiscal expenditures. Enterprises engaged in buying and selling grain may not divert procurement funds for capital construction or other expenditures not related to procurement.

**PRC: Qinghai Rural, Pastoral Work Conference**  
*SK2901004196 Xining Qinghai People's Radio*  
*Network in Mandarin 2300 GMT 26 Jan 96*

[FBIS Translated Text] The seven-day provincial rural and pastoral work conference ended in Xining on 26 January. The conference called on localities across the province to pay more attention to agriculture and animal husbandry, exert efforts to support them and make a good start for realizing the Ninth Five-Year Plan. Governor Tian Chengping presided over the conference. Yin Kesheng, secretary of the provincial party committee, gave an important speech at the conference. Leading comrades, including Sang Jiejia, Yao Xiangcheng, Wang Hanmin, Feng Mingang, Huanjue Cenam, Liu Guanghe, and Ma Yuanbiao, attended the conference.

During the conference, the participants conscientiously studied the central rural work conference, discussed the whole province's agricultural and animal husbandry development plans from 1996 to 2010, and made arrangements for this year's agricultural and animal

husbandry production as well as the rural and pastoral work.

In his speech, Comrade Yin Kesheng pointed out: The issue of agriculture, rural areas, and peasants is a fundamental issue of overall significance, affecting the party and the country. Practices of the past 40-odd years since liberation showed that Qinghai's stability and development can never be separated from agriculture and animal husbandry. Leading comrades of the party and government organs across the conference and all trades should firmly cultivate the ideology of taking agriculture and animal husbandry as the foundation through studying the guidelines of the central rural work conference, and strive to push agriculture, animal husbandry as well as rural and pastoral work to a new stage.

Yin Kesheng said: The time from the Ninth Five-Year Plan period to the year 2010 is the crucial moment for the province's modernization construction and for the development of agriculture, animal husbandry, and economy in the rural and pastoral areas. To achieve all these tasks and targets, all localities must prominently grasp well four crucial, namely, grain production, township enterprises, the work on supporting poor areas, and the development of high-yield, fine-quality, and high-efficient farming, and should comprehensively develop economy in the rural and pastoral areas.

Yin Kesheng pointed out: Our province has a weak ecological environment, with frequent natural disasters, drought and a shortage of water. To realize the agricultural and animal husbandry development targets, all localities must exert efforts to develop agricultural and animal husbandry infrastructure facilities. In agriculture, we should continue to grasp comprehensive development and capital construction of farmland and water conservation projects and pay special attention to carrying out a number of large and key water conservation projects that can yield comprehensive efficiency. In the pastoral areas, we should continue to grasp well four coordinated construction projects and the building of anti-disaster base in the southern part of Qinghai. Meanwhile, we should conscientiously implement the strategy of invigorating agriculture and animal husbandry with science and technology, and strive to increase investment in agriculture and animal husbandry.

Yin Kesheng said: Reform is a powerful motivation for promoting economic development in the rural and pastoral areas. To realize the medium and long-term development targets for agriculture and animal husbandry, we must exert efforts to reform. We should further improve the management system in the rural and pastoral areas, vigorously promote the shareholding cooperative



system, gradually promote the integrated operation of trade, industry and agriculture, and accelerate the establishment of economic operational mechanism and management system that meet the demands of socialist market economy.

Comrade Yin Kezheng called on all localities across the province to realistically strengthen the party's leadership over the rural and pastoral work. The top leaders of party and government organs at all levels should exert great energy to grasp agriculture, animal husbandry, as well as rural and pastoral work, work out plans, arrange funds to meet the needs of agriculture, animal husbandry as well as rural and pastoral work, and pay attention to preventing and overcoming the tendency of neglecting or slackening efforts in agriculture and ani-

mal husbandry under any pretext. In the future, while evaluating the work of a locality, we must first see its agricultural and animal husbandry situation, rural and pastoral work, and the income of peasants. All localities should also strengthen the building of grass-roots organizations, enhance their fighting strength, and realistically turn the village organizations into fighting collectives for implementing the party's line, principles, and policies and for leading the masses to shake off poverty and to attain the level of moderate prosperity. Meanwhile, we should pay attention to building ideological civilization, democracy, and the legal system in the rural and pastoral areas, comprehensively improve public security, and maintain social stability.

**East Region****PRC: Shanghai Sells Small State Firms***OW2901161696 Beijing ZHONGGUO XINWEN SHE  
in English 1122 GMT 29 Jan 96*

[FBIS Transcribed Text] Shanghai, January 29 (ZHONGGUO XINWEN SHE) — Shanghai will take a series of measures to deepen its reforms of small state-owned enterprises early this year.

Shanghai, the largest industrial hub in China, will sell a number of small-scale state owned businesses in the first half of 1996, of which 10 are in the red and will be sold on the property transaction market, according to the municipal government. It is believed that through bankruptcy, merger and other means, the business operation of these state firms can be improved significantly.

Shanghai also announced a trial operation in which some 50 small state owned enterprises would be leased to both domestic and overseas companies. These enterprises can initially be leased and thereafter bought by the lease-holders.

The municipal government, in line with relevant state regulations, has decided to set up a fund to support small-scale business reforms. It hopes to revitalise some small businesses through transforming them into shareholding firms.

Experts note that the majority of these state enterprises are labour-intensive; if reforms can stimulate their production and cause them to absorb more labour, a better climate might be created for the reform of the large "backbone" state enterprises that Shanghai harbours.

**PRC: Over 16,000 Foreign Experts Reportedly Work in Shanghai***OW1901122296 Beijing XINHUA in English  
0846 GMT 19 Jan 96*

[FBIS Transcribed Text] Shanghai, January 19 (XINHUA) — Shanghai, the largest metropolis in China, has drawn more than 16,000 foreign experts to work in its enterprises or pay academic visits in recent three years, the Shanghai-based "Liberation Daily" reported.

Most of these foreign experts serve for the key construction projects and large enterprises. Experts from the United States, Australia and Denmark have contributed a great deal to work out the scheme to control the water pollution and to lay out the transportation center of Lujiazui in the New Pudong District, which is a place attracting the most international investment in Shanghai.

A foreign intelligence-drawing system headed by the municipal leaders has been established and a development fund has been set up, a series of regulations have been worked out for the same purpose.

An international talents data bank was established in 1993. Connected with experts organizations of over 20 foreign countries, it stores up files of over 1,000 foreign experts.

**PRC: Zhejiang's Economy Grows 15 Percent in 1995***OW2801013496 Beijing XINHUA in English  
0124 GMT 28 Jan 96*

[FBIS Transcribed Text] Hangzhou, January 28 (XINHUA) — East China's Zhejiang Province registered 345 billion yuan (41 billion US dollars) in gross domestic product last year, up 15 percent over the previous year.

Last year, the province's agricultural added value grew five percent on an annual basis, compared with 4.4 percent for 1994, and it produced 14.4 million tons of grain, 1.9 percent more than 1994, reversing a decreasing trend in grain production for a few years, a spokesman for the provincial statistics bureau said.

The coastal province's manufacturing sector reported an 18.3 percent growth last year, he said.

Its tertiary industry's growth rate slowed down from 15.7 percent in 1994 to 13.9 percent last year, he said, adding that the manufacturing sector was still the major factor contributing to the province's economic development.

The province invested 130 billion yuan in fixed assets last year, up 30 percent over 1994. The rate is a drop of 17 percentage points from that of 1994, when fixed assets investment growth witnessed a drop of 42.1 percentage points from 1993.

The province's retail sales volume rose about 16 percent in real terms to 135 billion yuan last year.

The urban residents' per capita income on living expenses in the province rose 4.2 percent in real terms to 5,718 yuan last year, while the farmers' per capita income rose 5.3 percent in real terms to 2,966 yuan.

**PRC: Zhejiang Holds Party Committee Plenum***OW3001123896 Hangzhou ZHEJIANG RIBAO  
in Chinese 17 Jan 96 p 1*

[FBIS Translated Text] On 15 and 16 January, the Ninth Zhejiang Provincial CPC Committee held its sixth plenary session in Hangzhou. Following the guidance of the party's basic theory, basic line, and basic principle,



to further implement the spirit of the Fifth Plenum of the CPC Central Committee and the central economic work conference, according to the requirements of the "proposal" adopted by the previous provincial party committee plenum, the sixth plenum of the provincial party committee reviewed and summed up last year's work, made arrangements for this year's work, and deliberated the document, "Key Points in the Provincial Party Committee's Work." The provincial party committee standing committee presided over the plenum. Provincial party committee Secretary Li Zemin gave a report on behalf of the standing committee to the plenum.

The plenum conscientiously reviewed and summed up last year's work. It was unanimously agreed that the past year was one in which the province's economy continued its sustained, rapid, and healthy development and the tasks specified by the Eighth Five-Year Plan in all fields were fulfilled. The provincial party committee conscientiously carried out the basic principle of seizing opportunities, deepening reforms, opening up wider to the outside world, promoting economic development, and maintaining stability as laid down by the central leadership; correctly handled the relationship between reform, development, and stability; concentrated on doing a good job in economic construction according to the arrangements made by the fourth plenum of the provincial party committee; firmly advanced reform and opening up; constantly attended to both material and spiritual civilizations; and promoted coordinated economic and social development in the whole province. While the overall economic environment remained in a tightened condition, the overall economy continued to maintain a favorable developmental tendency in line with macroeconomic control targets. The economic growth mode began to change, agriculture warmed up, excessive price increases were curbed, and the people's livelihood continued to improve. It is expected that the province's annual gross domestic product may reach 345 billion yuan, a 15-percent increase; and financial revenues may increase 15.9 percent. Along with the sustained economic development, there was social and political stability in the province and the building of spiritual civilization, democracy, and the legal system as well as party building were all strengthened. Work in all fields was done solidly, and good results were achieved.

The plenum held that in last year's work, the provincial party committee always stressed the need to correctly analyze the situation, keep a sober mind, rouse people's work initiative, strive to make further development, and do solid work in a down-to-earth manner. This made leaders at all levels share the same idea and join their efforts in the work. First, the provincial party committee

firmly adhered to the party's basic theory, line, and principle; conscientiously kept itself in line with the party Central Committee with General Secretary Jiang Zemin at the core; correctly handled major affairs concerning reform, development, and stability in the province; and made efforts to do creative work. Second, the provincial party committee attached importance to theoretical study and linked theoretical study with investigations and policy formulation, a consensus of opinions was formed among leaders through the combination of theory and practice, and more effective guidance was given to practical work at all levels. Third, the system of democratic centralism was properly carried out, and collective leadership was constantly linked with individual responsibility for the work in specific fields; major issues were discussed collectively, with opinions from various quarters concerned being listened to; policy decisions were made collectively through thorough consideration and discussion with collective wisdom being pooled; after policy decisions were made, leaders put them into practice in the various fields in their charge. Fourth, consideration was given to the overall interests with the work in all fields being properly coordinated; importance was attached to both material and spiritual civilizations at the same time; while attention was paid to coordinating economic and social development, new conditions and new problems were considered without delay, and effective and pertinent guidance was given. Fifth, priority was given to key points; good examples were discovered and successful experiences were summed up and introduced to other places in good time; and supervision and inspection were intensified, and this guaranteed better implementation of the established policies and guaranteed the fulfillment of tasks in all fields. While affirming last year's achievements, the plenum also seriously examined the problems and shortcomings.

The plenum pointed out: This year is the first year for carrying out the trans-century development strategy in this province, so a good start must be made. The general requirements for the provincial party committee's work is to constantly carry out the party's basic theory, line, and principle; comprehensively implement the spirit of the 14th party congress, the third, fourth, and fifth plenary sessions of the party Central Committee, and the central economic work conference; correctly handle the relationship between reform, development, and stability; conscientiously carry out the strategy of effecting development through science and technology in the province; effect two fundamental changes, namely, changing both the economic structure and the economic growth mode; strengthen agriculture, which is the foundation for the overall economy; improve state-owned enterprises, especially large and medium backbone enterprises; raise

the level of opening up to the outside world; more effectively conduct social and economic management and regulation; boost party building; promote the building of spiritual civilization, democracy, and the legal system; safeguard social stability; promote the sustained, rapid, and healthy development of the national economy; and make comprehensive social progress. When guiding work in all fields, attention should be paid to the following issues: First, under the premise of effecting the two fundamental changes, continue to maintain the favorable tendency in the national economy's sustained, rapid, and healthy development. Second, prompt people to be more clearly aware of the role of agriculture as the foundation for the national economy as a whole, and promote the rural economy's comprehensive development. Third, constantly carry out the guideline of taking the public economy as the mainstay while promoting the development of various economic elements, and strive to strengthen the public economy. Fourth, guarantee the overall interests through coordinating the interests of all quarters and concentrate necessary resources to guarantee key projects. Fifth, constantly attach importance to both material and spiritual civilizations at the same time and promote coordinated economic and social development.

The plenum pointed out: The key to doing a good job this year in all fields lies in strengthening and improving the party's leadership and continuing success in party building. Consolidating party organizations in political and ideological terms should be taken as a task of primary importance in party building. Cadres at all levels, especially leading cadres at and above the county level, should pay attention to politics; firmly maintain the socialist and communist ideal and beliefs; firmly adhere to the political orientation represented by the party's basic theory, line, and principle; firmly follow the party's basic line without any vacillation over 100 years; conscientiously maintain a high degree of uniformity with the party central leadership and ensure the faithful implementation of central instructions and orders; always give consideration to overall interests, and be good at sizing up the situation and finding out problems and making policy decisions with a keen political sense; always be sober-headed and firm on major issues concerning overall interests and fundamental principles; always bear in mind the party's character and purpose, firmly establish a correct outlook on life and correct values, never seek personal gain, and serve the people wholeheartedly; always bear in mind the well-being of the masses, seek truth from facts, act according to actual conditions, tell the truth, and do solid work; and adhere to materialist dialectics and overcome one-sidedness in thinking. At the same time, attention should be paid to training and promoting outstanding young cadres and

strengthening and improving grass-roots party organizations in rural areas and state-owned enterprises. While promoting party building and clean government, party committees should establish and perfect the responsibility system under which principal responsible comrades of party committees take the lead in attending to party building. More effective work should be done in comprehensive management of public security and the maintenance of social and political stability so that a benign social and political environment and necessary organizational guarantees can be provided for the fulfillment of this year's work tasks in all fields.

The plenum stressed: It is necessary to continue efforts for emancipating people's minds, seeking truth from facts, actually changing the work style, improving methods of exercising leadership, and doing solid work with a realistic attitude. Party members and leading cadres at all levels should always unify their thinking and action and always give consideration to overall interests while doing creative work. They must conscientiously safeguard the authority of the party Central Committee with General Secretary Jiang Zemin at the core, adapt themselves to the need of the overall interests of the whole party and nation, and serve such overall interests while giving more consideration to such interests; thus guaranteeing the smooth implementation of the central instructions and orders as well as the provincial party committee work arrangements. At the same time, the initiative, enthusiasm, and creativity of all cadres and masses should be aroused and brought into full play. The masses' well-being should always be kept in mind, and the mass line should be followed. Party members and cadres should serve the people wholeheartedly. The spirit of seeking truth from facts, working hard under difficult conditions, practicing thrift while working diligently, and sincerely seeking benefit for the masses should be carried forward. Unrealistic thinking and practice and the formalistic and bureaucratic work style that makes cadres indifferent to the masses and ignorant of reality should be eliminated. Cadres should go deep into reality, keep close ties with the masses, really share weal and woe with the masses, listen to their voices, and show concern about their well-being. In particular, solicitude should be shown for the well-being of people in disaster-afflicted and poor areas and low-income working people in towns and cities; by various possible means, such people should be helped to tide over the difficulties in their day-to-day lives. Leading cadres should attend to major affairs, make no empty talk, do solid work, seek solid work results, and discharge their duties in a down-to-earth manner.

The plenum called on party organizations at all levels in the province to firmly follow the party's basic theory,



line, and principle; share the same idea and make concerted efforts under the leadership of the party Central Committee with Comrade Jiang Zemin at the core; make further progress in their work; strive for solid work results; grasp the rare opportunity in history; meet the new century with soaring morale and full enthusiasm; bring their initiative into play; fulfill this year's tasks in all fields; and lay a solid foundation for development in the Ninth Five-Year Plan period.

Members and alternate members of the provincial party committee, members of the provincial discipline inspection commission standing committee, party group secretaries of the provincial people's congress standing committee and the Chinese People's Political Consultative Conference provincial committee, vice governors, responsible people of the provincial military district party committee, and city (prefectural) party committee secretaries who are not members of the provincial party committee attended the plenum as nonvoting observers.

**PRC: Zhejiang Hosts 4,000 Technology-Intensive Firms**

*OW3101114896 Beijing XINHUA in English*  
*0923 GMT 31 Jan 96*

[FBIS Transcribed Text] Hangzhou, January 31 (XINHUA) — About 4,000 Technology-intensive non-governmental firms have been set up in east China's Zhejiang Province.

The non-governmental businesses with a total of 200,000 employees mainly cover such fields as computer technology, bio-engineering, automatic control, environment friendly technology. Their annual sale volume totalled three billion yuan in 1995.

On average, about 30 percent of the employees are technical personnel.

Faced with market competition, most of the non-governmental firms, which were set up in recent years, have introduced new managerial mechanism with close attention paid to the application of advanced technology and the development of new products, according to local officials.

**PRC: Zhejiang Work With Overseas Chinese Viewed**

*OW3101064996 Beijing XINHUA in English*  
*0631 GMT 31 Jan 96*

[FBIS Transcribed Text] Hangzhou, January 31 (XINHUA) — East China's Zhejiang Province has welcomed over 31,700 overseas compatriots and Chinese with foreign nationality from more than 40 countries and regions

during the past two years, most of them for economic purposes.

With millions of returned overseas Chinese, relatives of overseas Chinese, and Chinese residing abroad connected with the province, Zhejiang now boasts nearly 700 overseas Chinese-funded enterprises.

It is learned that in the past two years departments concerned with overseas Chinese affairs in the province have received over 8,700 visitors and replied to 2,500 letters.

They have safeguarded the legitimate rights and interests of overseas Chinese and their relatives in China by cracking down on infringement cases in connection with overseas Chinese.

They also recommended a group of overseas Chinese to become honorary citizens of various cities in the province and made some overseas compatriots as members of the committees of the Chinese People's Political and Consultative Conference at and below the provincial level within Zhejiang, creating a favorable environment for them to take part in discussion and consultation as regards civil affairs.

**North Region**

**PRC: Article Views Beijing's Building Materials Industry**

*OW3101003796 Beijing XINHUA in English*  
*0021 GMT 31 Jan 96*

[FBIS Transcribed Text] Beijing, January 31 (XINHUA) — The building materials industry has become a driving force in the economic development of this capital of China.

In 1995 the output value of the city's building materials industry topped 10 billion yuan (about 1.2 billion U.S. dollars), statistics show.

At present, the city has more than 3,000 building materials firms, 10 of which are capable of producing materials worth 100 million yuan annually each.

City officials said that foreign technology plays an important role in the industry's development.

The city has stepped up co-operation with Australia, Japan, France and Thailand in manufacturing gypsum lath, sanitary ceramics, glass wool and glass fiber, wall bricks, floor tiles and other building materials.

**PRC: Hebei's Qinhuangdao Sets Coal Handling Record**

*OWD801040096 Beijing XINHUA in English*  
*0218 GMT 8 Jan 96*

[FBIS Transcribed Text] Qinhuangdao, January 8 (XINHUA) — The port in this north China city, the world's largest coal transfer port, handled a record 64.9 million tons of coal in 1995.

The port has long been a hub of the country's coal transportation, moving coal from the north to the south of the country.

So far, the port has established three modern coal transport wharfs, which have handling capacities of 10 million tons, 20 million tons and 30 million tons, respectively.

A special railway line has been built between Datong, a key coal production base in north China's Shanxi Province, and Qinhuangdao.

According to local sources, the annual handling capacity of the port is expected to exceed 100 million tons by the end of this year.

The sources added that a fourth coal wharf, with a capacity of 30 million tons, is scheduled to be completed by the end of this year, including a 100,000-dwt berth and two 350,000-dwt berths.

**\*PRC: Hebei Survey Examines Consumer Attitudes**  
*96CE0126A Shijiazhuang HEBEI RIBAO in Chinese*  
*1 Dec 95 p 2*

[Article by Chen Junying (7115 0193 5391): "Changing Consumer Behavior and Consumption Pattern"]

[FBIS Translated Text] The province's Consumers' Association recently asked some faculty members and students at Hebei Economics and Trade University to conduct a survey of 1,000 consumers in 10 cities across the province in order to better understand consumer issues and their demands and proposals and strengthen the protection of consumers' legitimate rights and interests.

The survey was mainly conducted through a questionnaire. Ten cities were surveyed, including Shijiazhuang, Tangshan, Handan, Baoding, Cengzhou, Xingtai, and Qinhuangdao. The survey covered 10 major aspects and its subjects represented every stratum of urban society.

**Behavior Violating Consumers' Legitimate Rights and Interests Widespread**

— The legitimate rights and interests of the vast majority of consumers have been violated. In response to the question—"As a consumer, have you been victim-

ized by counterfeit and shoddy products?"—93.9 percent answered affirmatively. Of the 10 cities in the survey, respondents in five, namely Cengzhou, Tangshan, Dingzhou, Qinhuangdao, and Xingtai, reported a victimization rate above 97 percent. The lowest rate was reported in the city of Hengshui, but it was still a high 86 percent.

— Consumer victimization occurs in every area of consumption. A few years ago, people were most likely to be victimized as consumers of domestic electrical appliances, cigarettes, and liquors. Now, as the varieties of commodities available on the market have multiplied and consumer demands diversified, there is a growing trend for consumers to be victimized in more and more areas. In the survey, people were asked to identify the "areas where consumers are most commonly victimized." None of the 22 categories named in the survey escaped unscathed. Specifically, the consumer victimization rates were 65.4 percent, 53 percent, and 48.2 percent in footwear consumption, liquor and cigarette consumption, and apparel consumption, respectively.

— The top four "burning issues" in consumer affairs currently are commodity quality, counterfeiting of goods, excessive price hikes, and arbitrary fee collection. When asked "what are the burning issues that concern consumers most these days?" the respondents were more likely to cite these four topics—commodity quality, counterfeiting, prices, and arbitrary fee collection—than anything else. They were cited 78.6 percent, 67.3 percent, 66 percent, and 48.6 percent, respectively, by every 100 respondents.

**Acute Need To Raise Consumers' Sense of Self-Protection**

Consumers' sense self-protection has become much stronger after the promulgation and implementation of the "PRC Consumers' Legitimate Rights and Interests Protection Law" and its growing publicity. For instance, 30.9 percent of those surveyed were aware of consumer rights while only 6.9 percent did not know, with the rest being partly aware of them. Also, 60.7 percent of the respondents described as "intolerable" the infringement of their legitimate rights and interests. Asked what they would do if their rights and interests were impaired, 62.1 percent said they would approach the operator directly and 44.9 percent said they would complain to the Consumers' Association. Nevertheless, consumer quality is still not high and their sense of self-protection is still weak on the whole, as mainly demonstrated in these two ways:

— Few consumers know their rights under the law. Asked if they knew the consumer's rights, 62.1 percent of those surveyed said they had only a very lim-



ited knowledge. Even among those who answered the question affirmatively, the vast majority could cite only one or two rights when they were further queried as to their contents. Most people only knew that when they suffer property damage as a result of using an article, they might demand compensation. Almost no one could name all nine basic rights given the consumer by the "PRC Consumers' Legitimate Rights and Interests Protection Law."

— People have a hazy idea as to how to protect themselves as consumers. The survey shows that there are these two problems about consumer self-protection. For one thing, consumers do not take a positive attitude when their legitimate rights and interests are damaged. Almost 40 percent of the respondents adopted a suffer-in-silence attitude, fearing trouble and worried that they would lose more than they would gain and that there would be nobody to uphold justice. Also, 76.7 percent of the consumers said they would demand redress only in major cases where their legitimate rights and interests had been infringed upon, while only 30.4 percent and 9.8 percent said they would demand a redress in ordinary or minor cases, respectively. (Because the respondents were allowed to give more than two replies, the sum of these three numbers exceeds 100 percent.) For another, consumers have less than a full understanding of the channels they can pursue to protect their legitimate rights and interests.

#### **Significant Changes in Consumer Thinking and Consumption Patterns**

— Consumers are becoming increasingly mature in their thinking. According to survey findings, 1.4 percent and 2 percent of the respondents subscribed to the two extremes in consumption thinking, namely "just accumulate, don't spend" and "spend money even if it means going into debt," respectively, and 33.6 percent said one should "spend as much as one earns." The last attitude was more widespread among young people. The vast majority of the people surveyed—64.5 percent—believed that one should "earn more, spend less."

— Consumer demand is becoming more diversified and upscale. The traditional pattern of consumer demand is giving way to a more diversified one as cultural and entertainment consumption, social consumption, leisure consumption, housing consumption, intellectual investment consumption, tourist consumption, and telephone communications consumption all increase appreciably.

#### **Consumers' Demands and Suggestions**

To business operators: Base yourselves on honesty and trust. Operate in accordance with the law. Make sure you sell quality merchandise and not cheat the customer.

Do business in a civilized way. Treat customers courteously. Set prices fairly and reasonably, improve service attitudes, offer good after-sale services, establish a sound reputation, take professional ethics seriously, and win the consumers' trust with good products and outstanding services.

To the government: Tighten macro regulation and control. Maintain normal economic order. Control inflation. Keep market prices stable. Conduct in-depth research. Solicit and heed the masses' opinions. Formulate comprehensive market legislation. Step up market supervision and regulation. Organize and urge the departments concerned to protect the consumer's legitimate rights and interests.

To law-enforcement departments: Make sure that there are laws on the books for people to follow and that they are really enforced. Law enforcement must be strict and people who break the law must be punished. Operators who counterfeit and market shoddy goods must be punished harshly. Fulfill your responsibilities in earnest and uphold justice for the consumer courageously. Launch an anti-corruption campaign within the law enforcement department to combat illegal behavior such as bribe-taking, wining and dining, putting up roadblocks, and demanding payments from the public.

To the Consumers' Association: Publicize the "PRC Consumers' Legitimate Rights and Interests Protection Law" vigorously so that the entire society knows the law and uses it. Provide consumers with information and consulting services. Respond promptly to consumer complaints. Receive consumers warmly and do a good solid job to restore justice to the consumer. Truly give the consumer powerful backing and be his bona fide spokesman.

**PRC: Inner Mongolia Chairman Speaks at Plenum**  
**SK3101024596 Hohhot NEIMENGGU RIBAO**  
*in Chinese 9 Jan 96 pp 1,4*

[By reporter Hao Bin (6787 2430): "Focus on the Two Changes To Achieve Success in All This Year's Tasks, and Create a Good Start for the Fulfillment of the Ninth Five-Year Plan"]

[FBIS Translated Text] The third (expanded) plenary session of the sixth autonomous regional party committee was held on the morning of 8 January. Wu Liji, deputy secretary of the autonomous regional party committee and chairman of the autonomous regional government, made an important speech, summing up last year's work and arranging the work for this year.

Liu Mingzu, secretary of the autonomous regional party committee, chaired the session.

When briefly reviewing the 1995 work, Wu Liji pointed out: In 1995, under the correct leadership of the party Central Committee and depending on the strenuous work of the party organs at all levels and cadres and masses of various ethnics throughout the region, we achieved new results on all the fronts such as reform and opening up, economic construction, and all others. Every macroeconomic control target set by the autonomous regional party committee and government was basically fulfilled. The overall strength of our economy was further improved. Industry, agriculture, and animal husbandry output continued to develop in a stable manner. The construction of infrastructural facilities achieved notable results. Domestic and foreign trade developed stably and tended towards prosperity. New headway was made in science and technology education and other undertakings. The socialist ethics buildup was strengthened. We may say that 1995 was a year in which we took emancipating our mind as the precursor and expanded our reform and opening up drive. It was a year in which we overcame all kinds of difficulties and won stable development through strenuous work. It was a year in which the old system was changed into a new one, while we organically combined the market mechanism with macroeconomic control through active exploration. It was a year in which we took further steps to strengthen party building and to improve the all-level leading cadres, and worked hard to guarantee the smooth progress of reform, opening up, and modernization drive.

Wu Liji set forth the targets and guiding thoughts for our autonomous region's economic and social development in 1996. He pointed out that the basic requirements for the 1996 work are: We should comprehensively carry out the spirit of the fifth plenary session of the 14th party Central Committee and the Central Economic Forum. It is imperative to firmly focus on the changes of the economic system and the economic growth mode. Efforts should be made to push forward reform and opening up and accelerate scientific and technological advancement. It is imperative to take improving agriculture and animal husbandry and achieving success in state-owned enterprises as the focal points, and make great efforts to promote the local financial revenue and the living standard of people in urban and rural areas. The economy and the comprehensive social progress should be developed in a sustained, speedy, and healthy manner, so we can win the first battle of implementing the "Ninth Five-Year Plan."

He stressed that we should pay attention to the following points in the guiding thoughts for the work of the whole year. A. We should take into consideration the reality of Inner Mongolia and correctly understand the

relationship between reform, development, and stability. Development is the end; reform is the motive force; and stability is the premise. Whether we can achieve a good start in 1996 will be determined by whether we can master the inner relationship between reform, development, and stability from an overall perspective, and make them coordinate and promote each other. B. We should focus our efforts on pushing forward the "two changes," and achieve success in the implementation of the "five strategies." No matter how we engage in agriculture and animal husbandry or industry, and how we engage in production, construction, or circulation, it is imperative for us to focus on two changes in making work plans or conducting our work. In particular, all the localities and all trades and professions should take new measures and actions in the economic growth mode changes. We should follow the overall requirements of the "two changes" to achieve success in the implementation of the "five strategies." C. Under the premise of increasing economic efficiency, we should maintain a fairly fast development. It is imperative to make great efforts to promote the quality and efficiency of economic operation, and work hard to maintain a fairly fast development, and also a good-quality, efficient, and healthy speed. Under the premise of orienting ourselves to the market and exploring markets with more initiative, we should pay attention to the following three growth point: a) Through strengthening the infrastructural facilities and increasing the use of science and technology, we will make the total supply of farm and animal products increase conspicuously, and strive for more added value by achieving success in the local processing industries that use farm and animal products. b) Basing ourselves on doing a good job in tapping the potential of enterprises and conducting reform, we should guarantee the backbone projects, which completed construction and were put into operation during the "Eighth Five-Year Plan" period, to bring into play their efficiency. c) It is imperative to take township enterprises, three kinds of foreign-funded enterprises, and nongovernmental economies as the key point to go all out to develop nonstate-owned enterprises.

D. It is imperative to further improve our macroeconomic control and achieve success in the adjustment of economic structure. We should follow the overall requirement of the state; start our work from the two aspects of controlling the needs of society and increasing the effective supply of farm and sideline products; enhance the balance of the total supply and demand; and check inflation. At this juncture, this year's main task is to strengthen the dynamics of restructuring. The autonomous region's all-level organizations should take further steps to optimize the structure of funds for infrastructural facilities, for technological transformation,



for loans, and for special uses for finance. The funds should be used in accordance with overall consideration, so to amass all the funds to ensure the accomplishment of key projects. E. We should attach great importance to the work of aiding the poor in urban and rural areas, and make persistent efforts to improve the living standards of the people. The fundamental way to improve the living standard of the people is to improve production. Meanwhile, we should pay attention to the things of immediate concern to the people, such as reducing peasants' burden, aiding the poor to develop some undertakings, supporting the impoverished people in urban and rural areas, and implementing the reemployment project and social insurance system. We should regard these tasks as they are important political missions and achieve success in them in a careful manner. F. We should promote the protection to environment and resources, and enhance a sustainable development of the economy and the society.

He pointed out that, in accordance with the above-mentioned development target and guiding thoughts, we should focus our efforts on achieving success in the following tasks:

1. We should continue to take agriculture and animal husbandry as the primary task and move forward the comprehensive development of the economy of rural and pastoral areas as it is the primary task in 1996. The central task for the economic work in rural and pastoral areas is to promote the comprehensive productive forces and the ability to fight against calamities of agriculture and animal husbandry, increase the output as well as effective supply of farm and sideline products, and increase the income of peasants and herdsmen in real terms. It is imperative to continue to carry out all the party's policies on rural and pastoral areas, and take further steps to deepen the reform of the rural and pastoral areas. The core for carrying out the party's policies on rural and pastoral areas is to insist on the implementation of the household-based responsibility system that ties payment to output as well as the two-layered management system. Basing ourselves on this, we can take further steps to improve the socialized service system. Unremitting efforts should be made to strengthen infrastructural facilities and develop the ecological and sustainable agriculture and animal husbandry. The infrastructural facilities for agriculture and animal husbandry should be improved with the view to fundamentally change the conditions for production. The pastoral areas should make persistent efforts to achieve success in constructing a base to fight against calamities, and promote the quality of construction in real terms. It is imperative to take quality and efficiency as the core, regard increasing the yield per unit area and increas-

ing the animal's individual productive force as the focal points of the strategy for this year's agriculture and animal husbandry, and accelerate the change from extensive to intensive management. We should continue to strengthen the work of aiding the poor to develop some undertakings, and conscientiously organize to implement the "plan of using seven years to lift 3 million people out of poverty."

2. We should deepen the reform of the state-owned enterprises and work hard to promote the quality and efficiency of industrial economic growth. The deepening of the reform of state-owned enterprises should orient to a modern enterprise system which is characterized by Chinese characteristics and is able to bring into play the superiority of the state-owned enterprises. We should take into consideration our region's reality; follow the requirements of "three advantages;" master the principle for enterprise reform which is "achieving success in large-scale enterprises and enlivening the small ones;" attach importance to efficiency; give prominence to key points; provide guidance in line with different circumstances; and develop all these tasks in a coordinated manner. We should attach importance to and achieve success in the experiment of establishing a modern enterprise system and debt reorganization. For the small-scale, poor, and loss-incurring enterprises, we should adopt many methods such as reorganization, combination, merging, shareholding, leasing, contracting, and selling with a view to deregulating and enliven them in a determined manner. The adjustment of the industrial structure, product mix, and enterprise organization structure should be enhanced. We should accelerate the social insurance system which is mainly comprised of old-age pension and unemployment insurance, take further steps to deepen the supporting reform for the loan system, distribution system, and personnel system. In doing this, a better external environment can be created for the reform of enterprises. The technological transformation of enterprises should be accelerated, and the mainstay role and function of the technological advancement in economic growth should be given prominence. It is imperative to attach importance to the enterprise management work. The work should start from improving the inner management of enterprises, "transforming the mechanism, paying attention to and promoting management, and increasing efficiency," and launching the activities to "strive for better rankings." Sustained efforts should be made to reduce the number of loss-incurring enterprises and the amount of loss. We should make great efforts to achieve success in the implementation of the "famous brand" strategy, and again produce some autonomous regional-level products that are famous trademarks.

3. We should comprehensively implement the strategy of invigorating the region with science and education and further strengthen scientific, technological, and educational work. We should further deepen reform of the scientific and technological system, encourage and support scientific research organs and science personnel to march towards the main battle field of economic construction in line with the principle of "stabilizing and strengthening basic research and the research of basic technology and invigorating and decontrolling technological development organs as well as scientific research service organs," and should accelerate the conversion of scientific and technological achievements into practical productive forces. We should firmly grasp the crucial issues and aspects that restrict economic development, achieve breakthroughs in science and technology, and promote comprehensive progress in industrial, agricultural and animal husbandry production. We should comprehensively implement the "outlines for China's educational reform and development," the "educational law," the "teachers' law," and the "compulsory educational law," and attach strategic importance to developing education on a priority basis. We should regard "nine-year compulsory education to basically eliminate illiterate persons who are in the prime of life" as the most important task of the whole educational work; further adjust the educational structure, give prominence to raising the quality of workers and vigorously developing vocational education, and do a good job in resolving the dislocation between education and economic construction.

4. We should give a free hand in developing the non-state sector of the economy and vigorously cultivate new economic growth points. Regarding township enterprises, the general principle at present is to give them more support and fewer restrictions, to develop them first before setting norms to keep their activities within proper bounds, and to sum up achievements and improve them in the course of advance. As for the various kinds of nongovernmental sector of the economy, such as the individual, private, and shareholding cooperative sectors, we should not restrict their proportions, rate, scope and scale, and should give them a free hand in development.

5. We should further expand opening up and strive to form a new pattern of omni-directional opening up. We should uphold the principle of using opening up to promote development, make full use of the markets, resources, and funds at home and abroad, accelerate the change of the advantage of resources into the advantage of economy, and raise the proportion of the export-oriented economy in the whole economy; actively invite business and introduce capital, vigorously open up chan-

nels for using foreign capital and introducing technology; strengthen foreign trade work, attend to reforming, consolidating and improving the existing foreign trade enterprises, and accelerate the progress of developing foreign trade enterprises in the direction of industrialization, conglomeration, and internationalization.

6. We should strive to invigorate circulation and conscientiously and successfully carry out price, financial and banking work. In the course of deepening reform of state-owned enterprises, we should pay attention to and grasp reform of state-operated commercial, grain and materials enterprises well, realistically grasp the business of grain, oil, meat, vegetables, and sugar, and guarantee a basically stable market. We should pay great attention to and strengthen price work, exert utmost efforts to strengthen the price regulatory means of governments at all levels, adopt practical and effective measures to curb price hikes, strive to make the retail price general index noticeably decline from that of last year, and exert efforts to realize the state-stipulated target of control. We should implement the temporary policy of keeping the finances moderately stringent, strive to broaden the sources of income and reduce expenditure, increase income and practice economy. We should continue to give priority to building township finances, accelerate the development of banner and county economy, and basically end the difficult financial situation. In line with the demands of the new tax system, we should further improve the tax collection and management system, give impetus to collection and management work, and guarantee that all kinds of tax revenues will be handed over to the treasury promptly and fully. We should vigorously develop the hardworking and pioneering spirit, persist in running all undertakings industriously, stop the behaviors of extravagance and waste, and strictly control all sorts of expenses on meetings and institutional purchases. We should give full play to the important role of banking organs as the economic lever in promoting economic development and macroeconomic control. We should try by all possible means to expand urban and rural savings deposits, raise funds through various channels, increase the credit scale, and optimize the credit structure. We should uphold the principle of optimizing the increased amount of funds and invigorating the use of the existing amount of funds, curtail loans for capital construction, increase loans serving as circulating funds, and raise the efficiency of the use of credit funds.

7. We should insist on "paying attention to and achieving success in promoting the construction of the material and spiritual civilization". Party committees and governments at all levels should attach great importance to the construction of the socialist spiritual civilization and include it in the overall layout for economic and



social development with a view to achieving success in it. The top leaders of the all-level party committees and governments should take the initiative to consider, closely concern themselves with, and directly participate in the construction of the socialist spiritual civilization, and pay attention to it with unremitting efforts. It is imperative to insist on employing Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics to arm the whole party and to educate cadres and masses, so a common ideal and spiritual pillar can be formed. Persistent efforts should be made to develop the ideological education on patriotism, collectivism, and socialism, and the education on nationality unity and advancement.

Wu Liji stressed in his speech that the key to carry out the "Ninth Five-Year Plan" and to fulfill the long-term target for the year 2010 is to improve the all-level party organizations. Party committees at all levels should firmly embrace the idea that "the party is the key," carry out the responsibility system under which party committees administer the party, and provide reliable guarantee in the aspect of politics, thoughts, organization, and work style so to fulfill all the tasks this year. It is imperative to develop in depth the mass study and mass discussion on the socialist market economy system, take further steps to increase the ideological and political level of all the party members, especially the leading cadres at all levels. The leading bodies at all levels should be improved in a down-to-earth manner. It is imperative to strengthen and develop the grass-roots organizations of the party, and give priority to achieving success in improving party committees in rural and pastoral areas and state-owned enterprises. We should take further steps to change our function and work style. He pointed out that party committees at all levels should insist on paying attention to and administering major causes, and further strengthen the leadership over reform, opening up, and economic construction. Under the unified leadership of all-level party committees, all the departments of the government should follow the requirements for establishing a socialist market economy system, accelerate the change of our function, work hard to improve the macroeconomic control, and contend for the initiative in work by means of coordination, supervision, guidance, and provision of service. The idea of the overall situation should be strengthened with a view to resolutely overcome the harmful trends of putting departmental interests above anything else. It is imperative to submit oneself to and provide service to the general task of the party and the party's macroeconomic policies, safeguard the unity of the government decree, and ensure a healthy development of reform, opening up, and economic construction. We should make great efforts to encourage

a work style characterized by the pursuit of truth and working in a down-to-earth manner. It is imperative not to merely pay lip service, and not to work for show and formalism. Instead, we should study new situation and resolve new problems by working steadily. We should continue to develop the anticorruption struggle, and pay attention to the honest administration and self-discipline of leading cadres. The system should be established so that leading cadres reports one's income to the higher authority, so the responsibility system for building a clean government with good work style can be carried out. We should resolutely ban the malpractices of using public funds to seek entertainment and buying sedan cars. The dynamics to investigate and handle cases violating law and discipline should be increased. The unhealthy trends in departments and professions and trades should be conscientiously corrected. Substantial results should be obtained in improving the work style of the party and building a clean government.

At the end of his speech, Wu Liji pointed out: We have achieved glorious results in the "Eighth Five-Year Plan" period, and now the grand blueprint of the "Ninth Five-Year Plan" is being formed before our eyes. Let us work hard together, achieve success in all the tasks of the year 1996, have a good start for the Ninth Five-Year Plan," and make new contributions to the drive of building a united, advanced, wealthy, and civilized Inner Mongolia.

**PRC: Tianjin Secretary Addresses Commercial Work Forum**

SK2901061596 Tianjin People's Radio in Mandarin  
2300 GMT 28 Jan 96

[FBIS Translated Text] A few days ago, Gao Dezhan, secretary of the municipal party committee; Executive Vice Major Li Shenglin; Vice Mayor Zhang Haosheng; and party and government principal responsible comrades of the municipal commercial committee, the commercial work committee, the first commercial bureau, the second commercial bureau, the grain bureau, the supply and marketing cooperative, the industrial and commercial bureau, and the petroleum company jointly conducted investigations and studies and held a forum on implementing the guidelines of the fourth enlarged plenary session of the sixth municipal party committee, realizing a new start in commercial development during the first year to implement the Ninth Five-Year Plan, and accelerating the building of commercial, trade, and banking centers in the northern region.

During investigations, studies, and the forum, Gao Dezhan fully affirmed the work of the commercial departments. He stated: During the Eighth Five-Year Plan period, the municipal commercial front made great

achievements and important contributions to the entire municipality's reform, development, and stability. The brisk markets and stable prices have become one of the important indications of Tianjin's good situation. He pointed out: The municipal party committee and government have paid great attention to commercial work. The commercial and trade economy has occupied an important position in the municipal economy. Turning Tianjin into China's commercial, trade, and banking center in the northern region is a strategic task for enabling Tianjin to regain its prestige. We should consolidate and develop the good trend on the commercial front and continue to do a good job in invigorating the market as well as in guaranteeing supplies and stabilizing prices; should give further play to the advantages of commerce to promote and bring along industrial development, and invigorate the entire economy; should give play to the role of state-owned supply and marketing cooperatives as the main channels; should pay attention to large commercial work, circulation, and markets; should accelerate the pace to build the commercial and trade center; and should achieve new breakthroughs this year.

Gao Dezhan stressed: The key to implementing and fulfilling this year's economic targets that we have discussed is to raise economic efficiency. The precondition for achieving development and growth is to vigorously change the economic growth mode and raise economic efficiency. When evaluating targets for economic work, we must stress the targets of ending deficits and increasing profits as well as raising economic efficiency, and should pay attention to the progress of implementing these targets.

Gao Dezhan pointed out: To accelerate development and raise efficiency, we must regard deepening reform as the motivation, and establish an enterprise operational mechanism and management system that is conducive to raising economic efficiency. The reform tasks for commercial enterprises this year are heavy. On the basis of establishing a modern enterprise system and commer-

cial enterprise groups, we should invigorate small retail commercial units, develop [words indistinct], give greater impetus to deepening reform of the system of supply and marketing cooperatives, build market systems, and achieve good progress in a designated period. We should exert great efforts to invigorate management, conduct large business, invigorate business, strengthen basic management, reduce circulation links and expenses, and strive to raise economic efficiency.

Gao Dezhan pointed out: Commercial enterprises have achieved breakthrough progress in organizational reform. The municipal commercial committee should further change functions; should realistically strengthen the leadership over the planning, guidance, coordination, and service for the entire municipality's commodity market and commodity circulation throughout society; should keep eyes on grasping large business, large circulations, and large markets; should promote great commercial development in society; and should make greater contributions to fulfilling the evaluation targets for the entire municipality's economic work.

Gao Dezhan called on all prefectures, departments, and units across the municipality to maintain close coordination; make concerted efforts; successfully hold the Tianjin National Spring Commodity Trade Fair; make the fair attain fair size, have characteristics and momentum, and reach a certain level; and strive to make it an exposition of brand-name products.

Gao Dezhan stressed: The spring festival is approaching. Party committees and governments at all levels should pay great attention to the work of guaranteeing market supplies during the festive days and stabilizing prices. Commercial enterprises should carefully organize the sources of goods, strengthen management over market prices, invigorate the market during the festival with abundant goods and good service, develop Tianjin's current good situation, and let the people across the municipality have a happy and peaceful spring festival.



**PRC: Meeting Marks Anniversary of Jiang's Speech on Taiwan**

**OW3001152696 Beijing XINHUA in English**  
**1256 GMT 30 Jan 96**

[FBIS Transcribed Text] Beijing, January 30 (XINHUA) — More than 400 representatives from all walks of life in the Chinese capital gathered in the Great Hall of the People here today to mark the first anniversary of Jiang Zemin's speech on the Taiwan issue.

Chinese leaders Li Peng, Li Ruihuan and Liu Huaqing attended the meeting, presided over by Vice-Premier and Foreign Minister Qian Qichen. Premier Li Peng delivered an important speech.

Li Peng said that the speech delivered by Jiang Zemin a year ago reflects the consistency and continuity of the policy of the Communist Party of China and the Chinese government for resolving the Taiwan question.

"It also embodies their determination and sincerity in improving relations across the Taiwan Straits and promoting the reunification of the motherland," he added.

He reaffirmed that there is only one China and that no matter how the way of electing Taiwan's leaders changes, the stark reality that Taiwan is a part of Chinese territory and its leaders are only leaders of one region of China cannot change.

If a few people attempt to take the advantage of the change in selection of Taiwan's leaders as an excuse to carry out their separatist activities under the cloak of legality, they will get themselves nowhere, he said.

Any anti-China foreign forces take this as an excuse to meddle in the country's internal affairs and support "Taiwan independence", he said, it will also surely be opposed by the Chinese Government and the entire Chinese people.

"Any attempt to set the interests of the Taiwan compatriots against the interests of the Chinese nation is bound to failure," he stressed.

Qian Qichen said that during the past year, Jiang Zemin's important speech has not only drawn enthusiastic support from people from both sides of the Taiwan Straits, Hong Kong and Macao compatriots, overseas Chinese and all those who are concerned with the reunification of China, but also promoted the development of the relations across the straits.

However, he added, Taiwan authorities headed by Lee Teng-hui have not only failed to comply with the popular feelings and will and respond positively to the "eight viewpoints and proposals," but intensified

its international activities in creating "two Chinas" and "one China, one Taiwan."

He said the activities have resulted in the present tense situation between the two sides of the straits and directly jeopardized the fundamental interests of all Chinese people including the Taiwan compatriots, and this naturally caused great indignation of the more than 1.2 billion Chinese people.

The mammoth struggle launched by the whole Chinese people, including compatriots from Taiwan, Hong Kong and Macao as well as overseas Chinese against separatism and "Taiwan independence" is totally justified, and fully demonstrated the firm determination and capability of the Chinese people in safeguarding sovereignty and territorial integrity, he said.

**PRC: Text of Li Peng's Speech on Reunification of Motherland**

**OW3001133096 Beijing XINHUA Domestic Service**  
**in Chinese 0922 GMT 30 Jan 96**

[Apparent text of speech given by Li Peng on 30 Jan 1996 at the Great Hall of the People in Beijing, entitled: "Accomplishing the Great Cause of the Reunification of the Motherland Is the Common Wish of All Chinese People"]

[FBIS Translated Text] Beijing, 30 Jan (XINHUA) — Comrades and friends:

On the occasion of the first anniversary of the publication of Comrade Jiang Zemin's important speech, "Continue Our Efforts To Promote the Reunification of the Motherland," people from various circles in Beijing gathered here to speak glowingly of their feelings about Comrade Jiang Zemin's speech. This is quite a significant event.

Taiwan is an inseparable part of China. Ending cross-strait separation and accomplishing the great cause of reunifying China are the lofty mission and common wish of all Chinese people, including Taiwan compatriots. The basic principle of "peaceful reunification and one country, two systems" toward Taiwan and a series of relevant policies the CPC proposed in 1979 promoted the development of cross-strait relations and yielded prominent results. These were also the results of the common efforts made by people in all circles and the vast numbers of compatriots on both sides of the strait. On 30 January last year, Comrade Jiang Zemin made a systematic and important speech on behalf of the CPC and the Chinese Government concerning the settlement of the Taiwan issue. This speech penetratingly expounds the essence of Comrade Deng Xiaoping's thought on "peaceful reunification and one country, two systems,"

objectively analyzes the situation facing the settlement of the Taiwan issue, and has set forth an eight-point proposal on further developing cross-strait relations and promoting the process of the motherland's peaceful reunification in the current period. This speech gives full expression to the consistency and continuity of our party and government in resolving the Taiwan issue and embodies our determination and sincerity in developing cross-strait relations and promoting the motherland's reunification. It is also a programmatic document on resolving the Taiwan issue.

The first point of Comrade Jiang Zemin's eight-point proposal explicitly points out: "Adherence to 'one China' policy is the basis and precondition for bringing about peaceful reunification. Chinese sovereignty and territory brook no separation." This is the proposal's nucleus. Not only do the Chinese people oppose all words and actions on "Taiwan independence," they also oppose "separation and separate administration," "phased two Chinas," and other words and actions running counter to "one China." For reasons known to all, the mainland motherland and Taiwan have not achieved reunification, but Taiwan is an inseparable part of Chinese territory and China has irrefutable sovereignty over Taiwan. By the so-called "separation and separate administration between the two sides," the Taiwan authorities are advocating that Chinese sovereignty has already been separated, that the two sides of the strait are equal political entities without subordination to each other," and that each has become an "independent international legal entity"; they are advocating that Taiwan can join the United Nations and international organizations that only sovereign countries are entitled to join, and they are pursuing "dual recognition." In short, no matter how they renovate them, these tricks remain essentially the same despite all apparent changes. The Taiwan authorities' fundamental purpose is to separate Taiwan from China and carry out "Taiwan independence." This is where the fundamental difference between the Chinese people and the Taiwan authorities lies.

In his speech, Comrade Jiang Zemin raised a series of constructive proposals. In particular, Comrade Jiang Zemin once again solemnly proposed holding talks on "formally ending cross-strait hostility and gradually bringing about peaceful reunification." He also proposed that as the first step, both sides can hold talks on "formally ending cross-strait hostility under the principle of 'one China'" and that an agreement be reached; on this basis, both sides should undertake common responsibility for safeguarding Chinese sovereignty and territorial integrity and should carry out planning for the development of cross-strait relations in the future. This proposal is aimed at creating a fine and safe environment under

the "one China" principle for the development of cross-strait relations and at resolving the Taiwan compatriots' personal interests; it also considers that the materialization of peaceful reunification will take a process and that overall planning should be worked out for gradual implementation. This proposal fully demonstrates the sincerity of our party and government in resolving the Taiwan issue and has won the concern and agreement of farsighted personalities on and off Taiwan Island. However, because the Taiwan authorities did not at all change their deliberate intention to create a plot to split the motherland, they did not respond positively to the above-mentioned important proposal; on the contrary, they raised an impractical precondition, thus creating ring upon ring of obstacles for cross-strait negotiations.

In his speech, Comrade Jiang Zemin issued an appeal: In face of the world economy's development in the 21st century, great efforts should be made to expand economic exchanges and cooperation between the two sides of the Taiwan Strait so as to achieve prosperity on both sides to the benefit of the entire Chinese nation; people on both sides of the Taiwan Strait should inherit and carry forward the fine traditions of Chinese culture; practical steps should be taken to speed up the establishment of direct links between the two sides for postal, air, and shipping services; and we should continue to expand contacts and exchanges between our compatriots on both sides so as to increase mutual understanding and trust. This shows that our principles and policies toward Taiwan proceed from the overall interest of the Chinese nation and are very pragmatic. We will implement these principles and policies for a long time to come so as to promote development of cross-strait relations and create a more favorable condition for peaceful reunification.

Compatriots on both sides of the Taiwan Strait are as close as hands and feet and share the same fate. Comrade Jiang Zemin's speech strengthened our fraternal sentiment for and our ardent expectations of our Taiwan compatriots. We welcome various political parties and people of various circles in Taiwan to exchange views related to cross-strait relations and peaceful reunification with us. We have always advocated the use of peaceful means to realize the motherland's reunification, but we have never undertaken to give up the use of force. Our not giving up the use of force is not directed against our compatriots in Taiwan but against the schemes of foreign forces to interfere with China's reunification and to bring about "Taiwan independence." China's reunification is purely China's internal affairs. No foreign forces are allowed to interfere in China's internal affairs in any form. Under any circumstances, our party and government will continue to encourage and support Taiwan's



industrial and commercial circles to invest on the mainland, and they will protect the legitimate interests of Taiwan compatriots. We fully respect the life-style of Taiwan compatriots and their desire to become their own masters. We sincerely hope the masses of Taiwan compatriots will join us in creating a new situation for cross-strait relations.

Comrade Jiang Zemin's important speech was warmly welcomed by Chinese at home and abroad, attracting great attention from the international community and producing a far-reaching impact on promoting cross-strait relations and the motherland's reunification. However, certain leaders of the Taiwan authorities, by continuing to stick to their stand of splitting the motherland, resisting the "one-China" principle, ignoring the righteous national cause, intensifying activities to make use of and to be used by foreign anti-China forces, and calling for efforts "to win a space for existence" in a bid to create "two Chinas" or "one China, one Taiwan," directly disrupted the basis for the development of cross-strait relations and caused a serious setback and retrogression in cross-strait relations. Of course, these perverse acts were met with resolute opposition from the Chinese people, including people in Taiwan. He who engages in promoting "Taiwan independence" is the arch-criminal who undermines China's reunification, and it serves no good purpose to provide any explanation. Since June last year, the Chinese people waged a struggle against separation and "Taiwan independence." This demonstrates their determination and ability to safeguard China's sovereignty and territorial integrity. The perverse acts of certain leaders of the Taiwan authorities brought about instability to cross-strait relations, which directly endangered economic development and social stability in Taiwan and harmed the Taiwan compatriots' vital interests. Recently, the Taiwan authorities intentionally created a false impression "about the easing of cross-strait relations," but in fact, they are intensifying their efforts to create "two Chinas" by "vigorously engaging in elastic pragmatic diplomacy" and buying military equipment without restraint. This only proves that the "relaxation" they talked about is false and that their engagement in promoting "Taiwan independence" is true. Their schemes will fail. Cross-strait relations will develop normally only after the Taiwan authorities have abandoned their efforts to create "two Chinas" or "one China, one Taiwan" not only in words but also in deeds. Our struggle against separation and "Taiwan independence" will not cease even for a single day so long as the Taiwan authorities' activities to split the motherland continue. The responsibility for all the consequences arising from their activities will, of course, be borne by certain leaders of the Taiwan authorities who engage in separatist activities.

For some time, changes in ways to produce a leader in Taiwan have attracted extensive attention of Chinese at home and abroad. Here, I would like to reaffirm that there is only China in the world and Taiwan is an inalienable part of China. No matter how the ways of producing a leader in Taiwan may change, the fact that Taiwan is a part of China's territory will not change and the fact that the leader in Taiwan is only the leader of a region in China will not change. A country's sovereignty belongs to all the people of that country. The sovereignty of the whole China, including Taiwan, Penghu, Jinmen, and Mazu, belongs to all the more than 1.2 billion Chinese people including Taiwan compatriots, but will in no way belong to a certain portion of people in Taiwan and in no way be allowed to be changed by a certain portion of people in Taiwan. If someone attempts to put the so-called legal garb on his activities of splitting the motherland under the pretext of changing the ways to produce a leader in Taiwan, his efforts will be totally futile. If, under such a pretext, any foreign anti-China force interferes in China's internal affairs and supports "Taiwan independence," it will also be resolutely opposed by the Chinese Government and all Chinese people. Any attempt to set the interests of Taiwan compatriots against the whole interests of the Chinese nation is doomed to failure.

The Chinese people, who were subjected to untold bullying and humiliation of foreign countries, greatly treasure their country's sovereignty and territorial integrity; and all Chinese people, who have a long-standing tradition of patriotism, will certainly complete the great cause of China's reunification. The most fundamental condition for settling the Taiwan issue is to properly handle China's own affairs. We must uphold Deng Xiaoping's theory of building socialism with Chinese characteristics and the party's basic line and build China into a modern country whose political situation is stable, whose economy develops in a sustained manner, whose society progresses comprehensively, and whose comprehensive national strength is powerful. We must persistently pursue an independent foreign policy of peace; oppose hegemony and power politics; on the basis of the five principles of peaceful coexistence, develop cooperation and exchanges with various countries of the world; and make due contribution to world peace, development, and progress. During the period of the Ninth Five-Year Plan for National Economic and Social Development, the Chinese Government will resume the exercise of sovereignty over Hong Kong and Macao one after the other. Settling the Taiwan issue and completing the great cause of China's reunification will prominently be put before all Chinese people. The Chinese people on both sides of the strait should unite and jointly struggle for the completion of the great cause of China's

reunification. A reunified, prosperous, and strong China will make even greater contributions to the peace and progress of mankind.

The new year has just begun and everything looks fresh and gay. At a time shortly before spring comes and on behalf of the CPC Central Committee and State Council, I would like to extend cordial regards to all comrades and friends who have devoted themselves to the great cause of the motherland's reunification and to wholeheartedly wish happiness to Taiwan compatriots. I wish everybody happiness in spring and may everything go well with you!

**PRC: Li Peng Comments on Jiang's Reunification Speech**

OW3001153396 Beijing XINHUA in English  
0756 GMT 30 Jan 96

[FBIS Transcribed Text] Beijing, January 30 (XINHUA) — Premier Li Peng said here today that the eight propositions put forward a year ago by President Jiang Zemin on China's reunification are a "programmatic document for resolving the Taiwan question."

On January 30, 1995, President Jiang delivered a speech whose title was "Continue to Promote the Reunification of the Motherland."

Premier Li made the remarks at a forum here today to mark the first anniversary of Jiang's speech. He explained that the speech expounded on Deng Xiaoping's idea of "reunifying the motherland peacefully and one country, two systems", and analyzed the Taiwan question and how to settle it in an objective way.

It reflects the consistency and continuity of the policy of the Chinese Communist Party and the Chinese government on settling the Taiwan question, he said.

"It also embodies our determination and sincerity in improving relations across the Taiwan Straits and promoting the reunification of the motherland," he added.

According to Li, the first proposition stated by President Jiang, "adhering to the principle of 'one China', is the basis and premise of peaceful reunification. It is the nucleus of the eight propositions that 'China's sovereignty and territory must never be allowed to be divided.'"

He said that the Chinese people oppose any words or deeds bent on creating "independence of Taiwan," and working to "split the country and rule under separate regimes," or create "two Chinas over a certain period of time," which all violate the principle of "one China".

Because of reasons that are obvious to all, the Chinese mainland and Taiwan are not reunified yet, but Taiwan

is an integral part of China and China enjoys indisputable sovereignty over Taiwan, he emphasized.

He noted that the fallacy "splitting the two sides of the Taiwan Straits and ruling under separate regimes" put forward by the Taiwan authorities means advocating the fallacy that China's sovereignty is already divided.

The premier said that Jiang Zemin called for increased economic exchanges and cooperation between the two sides of the Taiwan Straits to face global economic expansion in the 21st century.

Jiang also called on the two sides to carry on the traditional virtues of Chinese culture, to take practical steps to facilitate the direct exchange of trade, mail and air and shipping services across the straits, and to increase contacts and understanding among compatriots on both sides of the straits.

"Our principle and policy toward Taiwan is very pragmatic and in the overall interests of the Chinese nation," Li pointed out.

"We will continue the principle and policy for a long time to develop relations across the straits and create more favorable conditions for peaceful unification," Li said.

"We have consistently stood for reunification of the motherland by peaceful means, but we have not forsworn the use of force," the premier said. "This is not directed at our Taiwanese compatriots, but at foreign forces who attempt to interfere in China's reunification and those who attempt to seek the independence of Taiwan. The reunification of the motherland is exclusively China's internal affair, in which no foreign force may interfere in any way."

The premier went on to point out that the Chinese Communist Party and Chinese government will continue to encourage in every way Taiwan manufacturers and business people investing in the mainland, and will protect the legitimate rights and interests of Taiwanese compatriots.

"We fully respect the lifestyle of our Taiwanese compatriots and their aspirations to become masters of their own destiny," he said. "We sincerely hope that our Taiwanese compatriots will work together with us to create a new form of relations between the two sides."

Li said that Jiang's speech had a profound impact on ties between the two sides and on the reunification process. Some leaders of the Taiwan authorities, however, are sticking to their stand to divide the motherland, opposing the one China principle, and showing no consideration for the overall interests of the Chinese nation.



He pointed out that some leaders of Taiwan authorities have increased collaboration with anti-Chinese forces abroad by advocating a "struggle for more space for existence", the creation of "two Chinas" or "one China, one Taiwan", weakening the foundation of relations across the straits and causing serious setbacks. "Quite naturally, their misdeeds have been opposed by all the Chinese people, including the Taiwan people."

"Whoever going in for 'Taiwan independence' will be the chief culprit sabotaging China's reunification and any of his attempts to defend himself is futile," Li said. The perverse acts of some leaders of Taiwan authorities have contributed to unstable relations across the straits, directly jeopardized economic expansion and social stability in Taiwan, and damaged the immediate interests of the Taiwan compatriots.

The Taiwan authorities have recently deliberately given a false appearance of improving relations with the mainland, but have in fact intensified efforts to create "two Chinas," he said, and with their "elastic and pragmatic diplomacy", they have bought large amounts of military equipment.

This only serves to demonstrate that they have been plotting the independence of Taiwan under the pretext of achieving detente. "Their attempts are doomed to fail," he noted.

Only when Taiwan authorities give up their attempts to create "two Chinas" or "one China, one Taiwan" not only verbally, but also in their actions, will relations between the two sides develop normally, he said.

"As long as Taiwan authorities do not cease their activities to divide the motherland, we will not stop our struggle against their schemes even for a single day" he said. "All consequences arising therefrom cannot but be borne entirely by those leaders of Taiwan authorities who are bent on the divisive activities," Li said.

**PRC: Editorial on Jiang's Speech on Taiwan Issue**  
OW3001142896 Beijing XINHUA Hong Kong Service  
in Chinese 1009 GMT 30 Jan 96

[FBIS Translated Text] Beijing, 30 Jan (XINHUA) — JIEFANGJUN BAO on 31 January will publish an editorial entitled "Making Contributions to the Great Cause of the Motherland's Reunification." The full text of the editorial is as follows:

One year ago, Jiang Zemin, general secretary of the CPC Central Committee and president of the PRC, published an important speech entitled "Continue to Promote the Reunification of the Motherland." The important speech brilliantly expounded the quintessence of Comrade Deng Xiaoping's concept of "peaceful

reunification and one country, two systems," and came up with a series of constructive opinions and proposals for advancing the process of the motherland's peaceful reunification. It fully demonstrated the consistence and continuity of the CPC's principles and policies for settling the Taiwan issue, and also gave expression to the determination and sincerity of our party and government in developing cross-strait relations and advancing the process of national reunification. It was a document that set out a program for the settlement of the Taiwan issue in the new period, and was of great immediate significance and far-reaching historic significance. Yesterday, people from various circles in the capital held a forum to mark the first anniversary of President Jiang's speech on the Taiwan issue. At the meeting, Premier Li Peng gave an important speech entitled "Fulfilling the Great Cause of Reunifying the Motherland Is the Common Desire of the Entire Chinese People." In his speech, Premier Li expounded the keynote and basic contents of President Jiang's eight-point proposal; stressed that China's reunification is purely China's internal affair in which no foreign force is allowed to interfere in any form; pointed out that any person who tries to create "Taiwan independence" is a chief culprit in undermining China's reunification; and explicitly expressed the solemn and just position of the Chinese Government on the change in the way Taiwan's leaders are chosen. The speech is very pertinent to the current situation.

"Peaceful reunification" and "one country, two systems" represent the fundamental principles of the CPC and the Chinese Government for settling the Taiwan issue and realizing national reunification. The party and the government have made unremitting efforts for this over a long time. In his important speech, President Jiang Zemin once again solemnly proposed that negotiations be held to end the state of hostility between the two sides of the strait according to the principle of one China, and said: We should strive for the peaceful reunification of the motherland because Chinese should not fight fellow Chinese. This fully showed the sincere hope of our party and government for the settlement of the Taiwan issue and the feelings of kinship toward the Taiwan compatriots. However, the Taiwan authorities headed by Li Teng-hui acted against the trend of history, openly colluded with foreign forces, and flagrantly created "two China" and "one China, one Taiwan." Li Teng-hui also tried to change the fact that Taiwan is part of China's territory by changing the form of bringing about Taiwan leaders in an attempt to create "Taiwan independence." Li Teng-hui's perverse acts cast an adverse shadow over the great cause of national reunification, and aroused strong indignation among the entire people of the whole country and the entire officers

and men of the Army. As long as Li Teng-hui continues his separatist activities, our struggle against split and against "Taiwan independence" will not cease. We shall continue to strive for peaceful reunification; at the same time, we shall never promise to give up the use of force. Our effort to terminate the bitterness of our nation in a peaceful way does not mean that the process of peaceful reunification can be delayed indefinitely. Our refusal to disavow the use of force is not directed against our compatriots in Taiwan but against the schemes of foreign forces to interfere with China's reunification and to bring about the "independence of Taiwan." This also shows that our party and our government always hold a strongly responsible attitude toward the settlement of the Taiwan issue. If any foreign force is bent on interfering in China's reunification or if the "independence of Taiwan" happens, we shall use every possible means, including military means, to safeguard national unification and the integrity of our sovereignty. If the Taiwan authorities still perversely cling to their course of creating national division, we shall never sit idly by and do nothing [ru guo tai wan dang ju yi yi gu xing zhi zao fen lie, wo men jue bu hui zuo shi bu guan 1172 2654 0069 3494 3981 1444 0001 1942 1324 5887 0455 6644 0433 5933, 2053 0226 0414 0008 2585 0976 6018 0008 4619].

Safeguarding the motherland's reunification and security; protecting the territory, territorial waters, air space, and its marine rights and interests; and protecting the peaceful labor of the people are sacred functions and duties assigned to the Chinese PLA [People's Liberation Army] by the Constitution. The Chinese PLA is an army with high political consciousness and fighting capacity, and is completely trusted by the party and the people. We resolutely support, and will implement to the letter, Chairman Jiang Zemin's eight-point proposal on resolving the Taiwan issue, resolutely implement the guidelines contained in Premier Li Peng's important speech, never allow an inch of territory to be separated from the motherland's domain, and never allow any anti-China foreign forces to meddle in China's internal affairs. The PLA, which is advancing with big strides toward revolutionization, modernization, and regularization, has the ability, the means, and confidence to defend state sovereignty and territorial integrity, safeguard the motherland's reunification, and fulfill the sacred mission assigned by the party and the people. Any scheme to create "Taiwan independence," "two Chinas," or "one China, one Taiwan" is doomed to failure.

With the beginning of another year, everything is fresh again. The Chinese nation, which has experienced many vicissitudes and hardships, is at the threshold of the next century. Today, as various countries in the world seek

peace and development and as the day when the Chinese Government resumes the exercise of sovereignty over Hong Kong and Macao approaches, it becomes even more urgent to resolve the Taiwan issue and accomplish the great cause of reunification of the motherland. A unified, strong, and prosperous China will make greater contributions to the cause of peace and progress of mankind. Under the leadership of the party Central Committee with Comrade Jiang Zemin as the core, let us make great efforts to accomplish the great cause of reunification of the motherland!

#### PRC: Commentary Reviews Jiang's Reunification Speech

OW3001144996 Beijing XINHUA Domestic Service in Chinese 1128 GMT 30 Jan 96

[Commentary by an unattributed XINHUA commentator: "Guidelines for Developing Cross-Strait Relations in the Present Period — Reviewing Comrade Jiang Zemin's Speech, 'Continue Our Efforts for the Completion of the Great Cause of Reunifying the Motherland'"]

[FBIS Translated Text] Beijing, 30 Jan (XINHUA) — During the first anniversary of the publication of Comrade Jiang Zemin's speech, "Continue Our Efforts for the Completion of the Great Cause of Reunifying the Motherland," today, reviewing this important speech will help us clearly understand the Taiwan situation, which is drastically changing, so that all Chinese people, including Taiwan compatriots, will more firmly oppose all forms of attempts for "Taiwan independence" and strengthen their confidence in bringing about the motherland's peaceful reunification.

President Jiang Zemin's speech—delivered a year ago—is an important document on cross-strait relations and there is no mistaking the aim of the speech. This speech penetratingly expounds the essence of Comrade Deng Xiaoping's thoughts on "peaceful reunification and one country, two systems"; systematically explains the policy of the CPC and the Chinese Government on Taiwan; portrays the theme of "peace and development" in the present-day world and the Taiwan masses' demand for developing cross-strait relations; and has set forth a series of constructive proposals on breaking through the cross-strait political deadlock, upholding reunification, opposing separation, and striving for an early settlement of the Taiwan issue in this new situation.

The eight-point views and proposal put forward by the speech demonstrate a high degree of combination between principles and flexibility. The nucleus of the speech is adherence to the one China principle, which is the basis for developing cross-strait relations. Only on the basis of this principle will the reunification of



both sides proceed peacefully and will Taiwan's international contacts be rationally resolved. A number of proposals on promoting high-level cross-strait contacts, on holding cross-strait peace talks step by step, on holding negotiations and reaching an agreement for ending cross-strait hostility first, on not using politics to interfere in economic affairs, on vigorously developing cross-strait economic relations, on fully respecting the Taiwan compatriots' life-style and wish for being masters of their own affairs, on welcoming all Taiwan political parties and personalities from all walks of life to exchange views with us concerning cross-strait relations and peaceful reunification, and on both sides' compatriots inheriting and carrying forward Chinese cultural tradition were rationally put forward according to the realities of cross-strait relations, taking into account the trend and characteristics of Taiwan's political development and considering the interests and wishes of all Chinese people, including Taiwan compatriots, thus reflecting the sincerity and goodwill of the CPC and Chinese Government in resolving the Taiwan issue.

The publication of Jiang Zemin's important speech has evoked warm repercussions at home and abroad. The speech's new ideas, sincerity, and good intentions have been extensively welcomed and fully affirmed and identified at home and abroad; and have universally been supported and endorsed by all the people of the country, including Taiwan compatriots and Hong Kong and Macao compatriots. The speech is an extremely great encouragement to people who support further development of cross-strait relations and an early completion of the great cause of the motherland's reunification, but is a powerful pressure to various factionist forces on the island and outside it.

Before the reasonable proposal of putting the overall national interest above anything else, respecting history, respecting reality, and seeking common ground while reserving differences in Jiang Zemin's speech, the nature of the Taiwan authorities headed by Li Teng-hui of being keen on peddling "splitting and dividing the two sides of the strait to rule" and of being not in the mood of promoting the motherland's reunification has been thoroughly exposed. Faced with the increasing demand for supporting reunification of Chinese at home and abroad, Li Teng-hui has gone against the will of the people and the historical trend; intensified his efforts to collude with international anti-China forces, making use of each other; travelled to the international community to create "two Chinas" and "one China, one Taiwan" under the pretext of a so-called "private" visit to the United States; slid significantly further down the road to splitting the motherland; and seriously damaged the development of cross-strait relations. Li Teng-hui's

"Taiwan independence" words and deeds during his U.S. visit were strongly denounced by Chinese at home and abroad and a mammoth all-people struggle against a split and "Taiwan independence" was launched. In this struggle, the camouflage of Li Teng-hui's "false reunification and real independence" has been torn and a blow has been dealt at the "Taiwan independence" impetus and factionist activities, which at one time ran rampant on the island and outside it. The broad masses of Taiwan compatriots have gained a deeper understanding of Li Teng-hui's "Taiwan independence" line, which has undermined the development of cross-strait relations and seriously damaged the fundamental interests of compatriots on both sides of the strait.

The important role of the powerful vitality of President Jiang Zemin's speech in giving guidance to the development of cross-strait relations will certainly further be manifested as time goes by and the speech will produce a greater and greater power promoting the progress of the motherland's peaceful reunification.

For some time to come, changes in the political situation on Taiwan Island will still be very great. Some "Taiwan independence" elements will attempt to use changes in ways to produce a leader on the island, use the Taiwan people's interests and cross-strait relations as a stake, and further tie up the Taiwan people on the "Taiwan independence" war chariot. In the new situation, we must continue to comprehensively and thoroughly implement the spirit of President Jiang Zemin's important speech; take the speech as guidance; hold high the great banner of patriotism; uphold reunification; oppose a split; unite and depend on the broad masses of Taiwan patriots; compel the Taiwan authorities to return to the principled stand of one China; and make unremitting efforts to safeguard state sovereignty and territorial integrity, safeguard the interests of all the Chinese people, including Taiwan compatriots, go all out to promote the development of cross-strait relations, and complete at an early date the great cause of the motherland's reunification.

**PRC: Columnist Reviews Jiang's Speech on Reunification**

*HK3101064396 Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 30 Jan 96 p 5*

[Article From "Everybody Talks About Reunification of Motherland" column by Yuan Yang (6678 3152): Programmatic Document Which Opposes Split and Promotes Reunification"]

[PTS Translated Text for FBIS] On 30 January last year, Jiang Zemin, CPC Central Committee general secretary, and concurrently state president delivered an important

speech entitled, "Continue to Work Hard To Promote the Fulfillment of the Great Cause of Reunification of the Motherland." To study anew this important speech today a year later, while reviewing the evolution in cross-strait relations and changes in the political situation inside Taiwan, the rich and profound ideological connotations included in the speech are making themselves keenly felt; the speech expresses in a concentrated manner the will of the people on both sides of the strait and is exerting, and will continue to exert, a far-reaching effect on cross-strait relations and the reunification of the motherland.

The publication of "the speech" on the eve of the Lunar New Year's Eve last year promptly aroused warm responses, and attention in China, Taiwan, Hong Kong and Macao, and from Chinese residing overseas. Public opinion overseas indicated that the eight-point proposal President Jiang made in his speech was reasonable and sensible, practical and feasible, and a new sincere effort from the Chinese Government to settle the Taiwan issue and push forward the progress of the reunification of the motherland. Taiwan's media also believed that "the content of the speech is rich in ideas, and worth close study by the Taiwan side."

It was expected that the Taiwan Authorities headed by Li Denghui [Li Teng-hui] would actively respond to President Jiang's speech, and step up the continuous progress of cross-strait relations on that basis. However, things have developed against people's will. Li Denghui did not care for the genuine sincerity of the CPC and the Chinese Government, nor did he take into consideration the earnest aspirations and the strong demands of the people in both China and Taiwan. Having expressed his stance without any substance, eventually Li Denghui set forth a so-called "six-point proposal" as an answer to the "eight-point proposal" in early last April. In that "six-point proposal," Li Denghui dwelled on the abstract and avoided real issues, using the tactics of Taiji [characteristic of pushing away or fending off one's opponent], and refused to respond to a series of proposals in President Jiang's "speech" on holding talks on "concluding hostility" between China and Taiwan, but advocated the fallacy of a "split and separate rule," which totally violates the one-China principle. On the issue of "three direct links," which involves the immediate interests of compatriots on the two shores, he continued to put off their settlement under the pretext of the "issue being complicated" and "calls for exploration and discussion in many aspects." Furthermore, Li Denghui colluded with international anti-China forces, and put on a farce of a "U.S. visit," thus openly stepping up the creation of "two Chinas," "one China, one Taiwan" internationally.

Li Denghui's behavior of splitting the motherland has seriously damaged the normal development of cross-strait relations, impeded the progress of the peaceful reunification of the motherland, and roused the strong indignation of Chinese inside China and overseas. Since last June, compatriots in China, Taiwan, Hong Kong and Macao, and overseas Chinese have waged a struggle in opposing splittism and "Taiwan independence" in various forms and with a strong momentum. All personalities with vision who care for the reunification of the motherland unanimously condemned Li Denghui's splittist activities which have violated the will of the masses in both China and Taiwan and the fundamental interest of the Chinese nation. With his own words and action, Li Denghui tore apart his mask of "pursuing the reunification of China" and set himself against all Chinese people, including the 21 million Taiwan compatriots.

Whether or not to adhere to the one-China principle is the focus of our struggle with Li Denghui. The nature of this struggle is one between the force that represents the common aspirations of the people in both China and Taiwan as well as the basic interest of the Chinese nation, and safeguards the reunification of the country on the one side, and "Taiwan independence" elements and splittist forces on the other side; it is a struggle that involves whether China is heading for reunification or for a split. In this struggle, the Chinese Government and the Chinese people have fully demonstrated their determination and ability for defending the territorial and sovereign integrity of the motherland. Among the various social strata in China, the reunification of the motherland and the Taiwan issue has become a hot issue of universal concern. Linking to lessons drawn from history, people have more earnestly felt the preciousness of reunification of the motherland and national independence by reviewing the tragic history of the Treaty of Shimonoseki signed a century ago, and Japanese militarism trampling on the Motherland half a century ago, thus stimulating indignation against traitors and all splittist forces who aim to split Chinese territory. Reviewing the past year, in the world of overseas Chinese, an increasingly greater number of patriotic overseas Chinese and Chinese residing overseas have seen through the true face of Li Denghui pursuing splittist activities in the world.

In Taiwan, the voices opposing splittism and "taiwan independence" keep rising, and "Taiwan independence" elements have become increasingly unpopular. Various polls showed that Taiwan people's resentment against Li Denghui has risen to a peak in the last five years. From the facts of the development in cross-strait relations over the past year, Taiwan compatriots have come



to see that the splittist behavior of the Taiwan authorities headed by Li Denghui violating the one-China principle in pursuit of "two Chinas," "one China, one Taiwan" is the fundamental cause that accounts for the tension and even retrogression in cross-strait relations. Whether or not cross-strait relations are stable inevitably affects Taiwan's stability and prosperity as well as the immediate interests of Taiwan compatriots. Should Li Denghui continue to go on splitting the country unchecked, it will bring damage to the peaceful reunification, and inevitably bring disaster to the people of Taiwan.

President Jiang Zemin's speech is an important document of the CPC and the Chinese Government which aims to resolve the Taiwan issue during the new period as well as in giving guidance to the development of cross-strait relations, and pushing forward the progress of peaceful reunification at the present stage. The winding development in cross-strait relations in 1995 has fully shown the fact that the "speech" has strong vitality and far-reaching historical significance. We believe, as long as both China and Taiwan adhere to the one-China principle, jointly take feasible measures on the basis of President Jiang's "speech," keep improving and developing cross-strait relations, the great cause of peaceful reunification of the motherland will surely be fulfilled at an early date.

**PRC: Editorial on One-China Principle, Reunification**

OW3001123796 Beijing XINHUA Hong Kong Service  
in Chinese 0953 GMT 30 Jan 96

[FBIS Translated Text] Beijing, 30 Jan (XINHUA) — RENMIN RIBAO on 31 January will publish an editorial entitled "The Principle of One China Is the Basis and Premise for Realizing Reunification." The full text of the editorial is as follows:

On 30 January last year, Jiang Zemin, general secretary of the CPC Central Committee and president of the PRC, gave an important speech entitled "Continue to Promote the Reunification of the Motherland," in which he set forth an eight-point proposal for developing cross-strait relations at the current stage and promoting the process of the motherland's peaceful reunification. The development of the situation in Taiwan and cross-strait relations over the past year showed that President Jiang Zemin's speech was of great immediate significance and far-reaching historic significance.

The keynote of President Jiang's important speech is: "Adherence to the principle of one China is the basis and premise for peaceful reunification. China's sovereignty and territory must never be allowed to suffer a split." The speech was thoroughly based on safeguarding

the fundamental interests of the Chinese people on both sides of the strait. It not only gave consideration to the long-term fundamental interests of the entire Chinese people, but also gave consideration to and safeguarded the immediate interests of the Taiwan compatriots; it not only gave expression to the unshakable and explicit principle for, and the firm belief in, the motherland's reunification, but also set forth feasible and concrete proposals and measures. Therefore, the speech won close attention and resolute support from the entire Chinese people at home and abroad, including the Taiwan compatriots. All people of insight who support China's reunification ardently expected that efforts would be made to create a new situation in cross-strait relations on the basis of President Jiang's eight-point proposal.

The struggle between U.S. and the Taiwan authorities on the issue of national reunification was focused on whether the principle of one China should be maintained. Facts show that the Taiwan authorities have completely run against this fundamental principle. After the publishing of President Jiang's speech, Li Teng-hui not only refused to make any positive response, but even went to foreign countries and acted as a card to be played by the anti-China forces in foreign countries. He flagrantly carried out activities designed to create "two Chinas" or "one China, one Taiwan," set back the development of cross-strait relations, and directly harmed the fundamental interests of people on both sides of the strait, especially the immediate interests of Taiwan compatriots. Of course, such perverse acts encountered resolute opposition from the Chinese people. Now, people have clearly seen that the tension in cross-strait relations that appeared last year was caused entirely by the Taiwan authorities.

In marking the first anniversary of the important speech, Premier Li Peng reiterated the constant principled position of the CPC and the Chinese Government on the motherland's peaceful reunification. This showed that our party and government continue to attach great importance to the settlement of the Taiwan issue and keep sincere hopes for this.

In his speech, Premier Li Peng stressed: There is only one China in the world, and Taiwan is an inalienable part of China. No matter what process is used to change the Taiwan leader, the fact that China is part of China's territory and the fact that the Taiwan leader is just a local leader in China will never change. This is a solemn declaration made by the CPC and the Chinese Government on a principled position, and is of great relevance to the current situation. Li Teng-hui is trying to cover up his attempt to split the motherland under the guise of "democracy," but his true purpose is still to separate Taiwan from China and make Taiwan a

"political entity" independent of China by creating "two Chinas" or "one China, one Taiwan" in the international arena. Taiwan's status as part of China has never changed, and will never be allowed to change. Any attempt to change this fact is doomed to be in vain, and never be allowed by the Chinese Government and the Chinese people.

The historical process of the motherland's peaceful reunification is irresistible, and the continuing advancement and development of cross-strait relations represents the trend of the times and the will of the people. Although the Taiwan authorities created serious disturbances, over the past year people-to-people exchanges and economic cooperation between the two sides of the strait have still made substantial development. Facts evidently show that the development of cross-strait relations is in line with the fundamental interests of the entire Chinese people, including the Taiwan compatriots. People on both sides of the strait are Chinese people sharing the same blood root and sharing the same weal and woe. Any people who dare to risk national condemnation by splitting the motherland in pursuit of their private gains are doomed to fail as their acts go against the common interests of people on both sides of the strait.

The year 1996 is the initial implementation year of the Ninth Five-Year Plan for National Economic and Social Development in our country, and our national economy will continue to develop steadily on the basis of previous sustained and rapid growth. With our own affairs being properly handled, we shall also lay a solid foundation for the fulfillment of the great cause of reunifying the motherland. In 1997 and 1999, the Chinese Government will resume the exercise of sovereignty in Hoang Kong and Macao. The historic mission to settle the Taiwan issue and realize China's reunification will be more prominently placed in front of the entire Chinese people. We shall continue to pursue the basic principles of "peaceful reunification" and "one country, two systems," continue to promote cross-strait economic exchange and cooperation, promote the realization of the three direct links between the two sides at an earlier date, promote personnel exchange and other exchanges between the two sides of the straits, and create further conditions for the motherland's peaceful reunification. At the same time, we shall never promise to give up the use of force. This is absolutely not aimed at the Taiwan people, but is aimed at the foreign forces that try to interfere in China's reunification and at the forces

of "Taiwan independence." National reunification will not be effected in a single move, but it cannot be delayed indefinitely, still less can a small number of people be allowed to carry out activities to split the motherland and create "Taiwan independence." The Taiwan authorities must immediately stop activities designed to create "two Chinas" or "one China, one Taiwan" in the international arena, and immediately return to the position of the one-China principle, not only in words but, more importantly, in deed. Only then can cross-strait relations develop normally.

At present, Chinese people on both sides of the strait face stern challenges and a historical opportunity in the contemporary world, and should join hands in meeting this opportunity rather than missing it, and join hands in invigorating China and building a unified powerful and prosperous China, thus making greater contributions to peace and the progress of the human race.

#### PRC: Tianjin Attracts Increased Taiwan Investment

OW3101093996 Beijing XINHUA in English  
0748 GMT 31 Jan 96

[FBIS Transcribed Text] Tianjin, January 31 (XINHUA)— More Taiwan-backed enterprises will be opening in Tianjin, the biggest port city in north China, this year, as the culmination of a northward trend in Taiwanese investment.

According to Zhang Mingyu, president of the Taiwan-funded Enterprises Association in Tianjin, the amount of investment from Taiwan in 1995 rose by more than six times over that of 1994, and most Taiwan-backed enterprises in Tianjin have made big profits.

Analysts cite the lower prices, low labor costs, cheap land, abundant resources, and high growth potential as major reasons for overseas investors to shift their investment destination.

According to Zhang, the time is ripe for Taiwanese investors to come to the mainland. Many Taiwan-funded enterprises have expanded their production scale and increased investment, and many large enterprises with annual sales of more than one billion yuan are expected to settle there.

In 1995, Tianjin overtook Shenzhen in amount of overseas investment, another aspect of the trend.



**Taiwan: MAC Chairman Accuses Beijing of 'Bully' Tactics**

*OW3101023696 Taipei CNA in English*  
*0210 GMT 31 Jan 96*

[By Masbo Chang]

[FBIS Transcribed Text] Taipei, Jan. 30 (CNA) — Acting Mainland Affairs Council (MAC) Chairman Kao Kang-liao on Tuesday (30 January) accused Beijing of trying to "bully Taiwan under the pretext of anti-Taiwan independence."

Kao said the bullying would damage the development of cross-strait relations and destabilize the Asia-Pacific region, and added that Beijing's "distortion" of Taiwan's pursuit of democracy reflects its own fear of democracy.

Kao made the remarks in response to mainland Chinese Li Peng's statement in Beijing earlier in the day that "no matter how Taiwan elects its leaders, it will not change the fact that Taiwan is a part of China and that Taiwan leaders are regional leaders of China." Li was referring to Taiwan's first direct presidential election in March.

Kao said the presidential election would neither change the government's policy toward Beijing nor change its pursuit of a unified China under the principles of liberty, freedom, and the equitable distribution of wealth.

He said he was confident that Taiwan's electorate has enough wisdom to resist Beijing's threats and elect a president out of their own free will.

He emphasized that the two sides of the Taiwan Strait should engage with each other under the six principles outlined last year by ROC President Li Teng-hui and the eight principles pronounced by mainland leader Jiang Zemin.

Unification should be a natural process, Kao said, adding that any man-made timeframe imposed on the process would be unrealistic and would only hurt the well-being of the people on both sides of the strait.

**\*Taiwan: COC Chairman Termed 'Secret Cross-Strait Envoy'**

*96CM0098A Taipei TZULI WANPAO in Chinese*  
*7 Nov 95 p 2*

[Article by Ts'ai Jih-yun (5591 2480 0061): "Is Chang Tzu-yuan a Secret Cross-Straits Envoy?"]

[FBIS Translated Text] DPP [Democratic Progressive Party] Legislator Chang Chun-hsiung (1728 0193 7160) addressed an emergency inquiry to the Executive Yuan [EY] this morning (7 November 1995) about the ru-

mor that Central Oil Corporation [COC] Board Chairman Chen Z Tzu-yuan (1728 1311 3293) went from Indonesia to Beijing yesterday as a "secret cross-strait envoy," delivering crucial classified material [to Beijing] about Taiwan. Chang Chun-hsiung stated that with the approach of the general presidential election in March 1996, as Chang Tzu-yuan's trip might have implied that the most senior Taiwan authorities were using it to establish a certain "tacit understanding" or "unknown" relations with the PRC, he was demanding that the EY explain the matter to dispel outside concerns.

Chang Chun-hsiung noted that since cross-straits exchanges have become ever more frequent, the "rumors" about "secret envoys" shuttling back and forth across the Taiwan Strait have never stopped. He said that from the earliest cases of Su Nan-ch'eng (5685 0589 2052) and Chang Chien-pang (1728 1696 6721) to the most recent one of Li [Lee] Tzu-yi (2621 1311 1707), there have been as many as 13 such rumors. He also said that since Li Tzu-yi "has been serving as cross-straits mediator and secret envoy between Lee Teng-hui and [PRC Vice Premier] Qiao Shi," which both the Presidential Palace and the [Taiwan Province] Governor's Office have confirmed, it is likely that Chang Tzu-yuan's current secret trip to Beijing to deliver classified material for the highest Taiwan authorities, and to act as a secret cross-straits envoy, is absolutely not just a rumor.

Chang Chun-hsiung stated that since the PRC has been sending repeated messages of intimidation against Lee Teng-hui's campaign to become Taiwan's first democratically elected president and, in light of the coming general presidential election in March 1996, might not Chang Tzu-yuan's trip mean that the highest Taiwan authorities are using Chang Tzu-yuan to establish a certain "secret agreement" or "unclear" relations with the PRC? So he said that in the interests of the 21 million people of Taiwan, he was making a strong demand that the ruling party stop playing the old Raecret envoyS game, as well as calling on the EY to immediately and, as soon as possible, explain Chang Tzu-yuan's secret trip to Beijing, to clear up outside concerns.

**Taiwan: Reports of 'Communist Attack Plans' Declared Untrue**

*OW3101011896 Taipei CHUNG-KUO SHIH-PAO*  
*in Chinese 26 Jan 96 p 3*

[FBIS Translated Text] Commenting on numerous reports of late about Chinese communist plans to attack Taiwan, Minister of National Defense Chiang Chung-ling said the reports are untrue and groundless. The Chinese communists are probably playing a dual tactic. [liang shou ce lue 0357 2087 4595 3970].

**Taiwan: Ministry Denies Reports of Troop Buildup in Fujian***OW3101020496 Taipei CHUNG-KUO SHIH-PAO in Chinese 26 Jan 96 p 3*

[FBIS Translated Text] The Ministry of National Defense on 25 January firmly denied Japanese media reports that the Chinese Communists are amassing troops in Fuchien [Fujian]. A ministry spokesman pointed out that there has not been any sign of unusual movements of communist troops, and the National Defense Ministry would continue monitoring the situation. The ministry also earnestly denied rumors that the chief of general staff convened a briefing on operations the night before.

A high-ranking general of the military noted that it is indeed possible that the Chinese communists would launch another military exercise before the presidential election. However, it is still unclear with regard to the category, timing, and scale of such an exercise. Communist troop movements are normal at present and there have been no signs of a large-scale troop buildup in Fuchien.

It has been pointed out that the military is paying close attention to latest developments in Communist China and will clarify unfounded reports.

As for rumors abroad that the general staff headquarters convened an emergency briefing on operations the previous night, it was pointed out that briefings on operations are held regularly every month. No briefing was held at the headquarters the night before, and thus, any discussion at the briefing on THE NEW YORK TIMES report about Communist Chinese plans to attack Taiwan was out of the question.

**Taiwan: KMT Names Chien Fu Candidate for At-Large Assemblyman***OW3101123096 Taipei CNA in English 0913 GMT 31 Jan 96**[By Sofia Wu]*

[FBIS Transcribed Text] Taipei, Jan. 31 (CNA) — The ruling Kuomintang (KMT) Wednesday [31 January] nominated Foreign Affairs Minister Chien Fu as the party's no.1 candidate for National Assemblymen-at-large [as received].

The KMT's decision-making Central Standing Committee approved the nomination proposed by KMT Chairman Li Teng-hui at its weekly meeting.

Political observers believe that the nomination virtually guarantees Chien, a seasoned career diplomat, as the

National Assembly's first speaker, a position which ranks higher than that of the premier.

Chien, 61, is currently in Los Angeles following an official visit to the Bahamas. He issued a written statement Wednesday on his nomination, saying he felt honored to be drafted by the KMT as an at-large candidate in the March 23 National Assembly elections.

"As a KMT member of 44 years, I'll try my best to win the elections for my party," Chien said in the statement.

He said, however, that it is too early to talk about whether he will become the speaker of the new National Assembly. "Now that the elections have not yet been held and the National Assembly speaker should be elected by all the new deputies, it is too early to talk about the speakership," he noted. He is scheduled to return to Taipei Thursday.

In Chien's long public service, this is the first time he has been nominated by the KMT to run in a political election. The nomination may mark a major breakthrough in the outstanding diplomat's political career, local observers said.

Chien holds a doctoral degree in international relations from the Yale University. He served as an English secretary of the ROC's [Republic of China] two late presidents — Chiang Kai-shek and Chiang Ching-kuo. He also held positions as the director-general of the Government Information Office, vice foreign minister, the ROC's representative in Washington, chairman of the Council for Economic Planning and Development. Chien assumed his current post in June 1990.

Starting from the third National Assembly after the March elections, a speaker and a deputy speaker will be installed, according to a package of constitutional amendments passed in 1995.

A total of 354 National Assembly members will be elected, including 234 to be elected from electoral districts around the country, 80 deputies-at-large to be produced in accordance with the proportion of votes received by various political parties, and 20 overseas Chinese representatives. The KMT hopes to win at least 70 percent of the seats up for grabs.

**Taiwan: Taipei County Passes Regulations on Plebiscites***96CM0098B Taipei TZULI WANPAO in Chinese 7 Nov 95 p 1*

[Article by Lee Hsiu-fen (2621 4423 5358): "Might Taipei County Hold Independent Plebiscites?"]

[FBIS Translated Text] The Taipei County Government held a County Affairs Conference this morning [7



November 1995), where it passed the "Implementation Regulations for Taipei County Plebiscites," to turn Taipei County into the ROC's (Republic of China) first local government to draw up plebiscite regulations. The County Administration stated that it has decided to hold plebiscites [public referendums] on all future crucial policies, political proposals, and administrative changes concerning Taipei County. It is understood that the County Administration is likely at the time of the 1996 presidential election to hold a plebiscite on upgrading Taipei County to a municipality (directly under the Central Government), which would be the first issue to be decided by plebiscite.

The "Implementation Regulations for Taipei County Plebiscites," which were the first to be drawn up by a county government, were promoted by Taipei County legislators, and were passed this morning by the Taipei County Administration at the County Affairs Conference. It included 13 articles setting forth clearly that "the Taipei County Government is acting on the principle that constitutional sovereignty is held by the people, by specially drawing up these regulations to ensure that the people of Taipei County can directly exercise their civil [democratic] rights." After their morning passage, the "Regulations" will go into official effect upon submission to and approval by the County Legislature.

While the "Implementation Regulations for Taipei County Plebiscites" passed this morning by the County Administration are in 13 articles that originally had the explanatory wording that "the recent independence plebiscite in Quebec Province, Canada is a case in point," out of fear that it might arouse outside concerns about a plebiscite on Taiwan independence, that wording was specifically deleted at the morning County Affairs Conference.

As these plebiscite regulations provide that the plebiscite is to ensure that citizens can directly exercise their democratic rights to make up for the inadequacies of representative government, Taipei County will decide by plebiscite in Taipei County crucial policies, political proposals, and administrative changes affecting Taipei County, to ensure that county residents can directly exercise their democratic rights. The County Administration notes that future plebiscite proposals will come in three forms, or by the joint signatures of over 20 percent of the Taipei County electorate, the resolution of over 21 percent of the legislators present at a meeting or of over 21 percent of Taipei County legislators, and the resolution of the Taipei County Government's County Affairs Conference. The regulations also note that plebiscites will be limited to the Taipei County administrative area, with qualified

voters being citizens as provided by the law on the recall of public officeholders by election, and with the voting being in the form of general, equal, direct, and secret balloting. But the plebiscite regulations also stipulate that no future issues involving matters such as budgets, tax laws, salary laws, and personnel files will be subject to the plebiscite regulations.

**Taiwan: Import, Tariff Talks With Japan Fail**  
OW3101033096 Taipei CNA in English  
0156 GMT 31 Jan 96

[By Debbie Kuo]

[FBIS Transcribed Text] Taipei, Jan. 30 (CNA) — Taiwan once again failed to reach agreement with Japan on import quotas for Japanese compact cars and on tariff reductions for industrial products in the latest round of negotiations between the two sides, according to Board of Foreign Trade (BOFT) officials.

A Taiwan delegation led by BOFT Director-General Lin Yi-fu conducted the ninth round of consultations with Japanese officials in Tokyo on Monday (29 January) and Tuesday on the terms of Taiwan's entry into the World Trade Organization (WTO), said Teng Chen-chung, a BOFT section chief.

Taiwan has offered a 6,000-car annual import quota for Japan after its accession into the WTO, with tariffs on the cars being gradually reduced from 29 percent the year Taiwan joins the WTO to 25 percent after five years. Whether Japan will accept the offer or Taiwan will work out another proposal remains to be seen, Teng said.

Although Japan had a favorable response to Taiwan's proposal on tariff cuts on 304 industrial products after the two sides met in August, it refused to accept the terms for certain textile, cement and glass imports in the latest round of negotiations, according to Teng.

Japan also expects Taiwan to lower import tariffs on electrical appliances, automobiles and auto parts, and bicycles to levels similar to Japan's.

The two sides agreed to more talks to try to resolve the car-quota issue and the impasse over industrial product tariffs, and also agreed that they will meet again for talks on Taiwan's opening the door to Japanese cigarettes, liquor, oriental pears and persimmons, Teng said.

**Taiwan: Exiled Dissident Returns From PRC**  
OW3101052296 Tokyo KYODO in English  
0441 GMT 31 Jan 96

[By Robert J. Saiget]

[FBIS Transcribed Text] Beijing, Jan. 31 KYODO — An exiled former Taiwan legislator and one of the island's most well known pro-democracy activists gave up his position as political consultant to the mainland government and left Wednesday [31 January] for Taiwan with hope to work for a democratically-willed reunification with the mainland.

Zhang Chunnan, jailed for three and a half years for inciting armed rebellion in the early 1980s during the martial law rule of former Taiwan President Chiang Ching-kuo, left Beijing for Taiwan after nearly ten years in exile on the Chinese mainland.

His return not only comes on the eve of Taiwan's first presidential elections next March, but also as relations with the mainland grow increasingly tense over Beijing's fears Taiwan democratization will lead to a declaration of independence.

Formerly a leading advocate for greater Taiwanese democracy, Zhang, 54, brings with him a faint hope for democratic reform on the mainland led by an "enlightened" Chinese President Jiang Zemin and the possibility of peaceful reunification achieved through the democratic will of Taiwan.

"Whether to unite or to be independent is a question that should be decided by the vote of all Taiwan people," the unrepentant democrat told KYODO news before his departure.

"I certainly will go with the general will of the people of Taiwan. If the general will of Taiwan is to reunite, then I would definitely work in the direction of reunification. If the general will of Taiwan is for independence, then I would go with everyone else down the road of independence," he said.

Despite such pro-democracy leanings, Zhang was quickly appointed a standing member of the Chinese People's Political Consultative Conference (CPPCC) when he arrived to the mainland in 1986, largely on the basis of having previously served in Taiwan's national assembly, he said.

His position in the CPPCC gave him ample opportunities to debate official policy, watch political developments and have a first hand understanding of the workings of China's often secretive inner political world.

Formerly known as the "iron man outside the Kuomintang," Zhang now hopes to use mainland experiences to help Taiwan better evaluate reunification possibilities and while admitting no Taiwan political ambitions, voiced support for Taiwan President Li Teng-hui's position that reunification can only take place with further political reform on the mainland.

"China's future should be decided on whether or not it can quicken the pace of democratization in a fairly short period of time. If it cannot, then on one hand China could become an obstruction to world peace and on the other hand China's own future will be threatened," he said.

He said that while Chinese politicians maintain a high degree of sincerity in trying to improve the country's conditions, modern political thinking in China was "critically lacking," especially in areas of human rights, democratic politics and its dogmatic stance on Taiwan.

"They only think 'Taiwan is a territory of ours, the people of Taiwan should accept our rule.' They don't think that, well if Taiwanese are Chinese and if Taiwan is a part of China, then Taiwanese are also a part of the Chinese sovereignty and so how should we look at this sovereignty," he said.

"The mainland still has a situation where one person, or a very small minority of people, decide for the whole country what policy to undertake in every realm, including politics and economics," he said, calling China's political system "Stalinist," and a "revolutionary system" lacking in modern political morals.

Zhang called Jiang Zemin an "enlightened" leader and, while praising Jiang's January 1995 eight-point speech on the reunification of Taiwan, expressed hope Jiang would spur widespread political reform in China "after he has undergone a process of political struggle and he is able to establish himself."

"It may take Jiang two or three years of political struggle before he has enough power to implement his own policy and it could be very difficult to implement political reform," he said.

Jiang's speech on Taiwan "is clearly a change from Deng Xiaoping's policy on Taiwan," he said. Jiang's proposals go farther than Deng's policy of party-to-party relations by calling on a reduction in the hostile atmosphere across the straits and establishing direct exchanges between leaders.



"For Jiang Zemin to speak differently than Deng Xiaoping at this particular moment, or you can say to go against Deng Xiaoping's policy of cooperation between the Kuomintang (nationalist party) and the communist parties, well as far as Jiang Zemin goes, it took a lot of nerve to do this kind of thing," Zhang said.

Chinese authorities took about a month to approve Zhang's travel arrangements, he said, but more influen-

tial to his decision to leave China was the recent lifting of restrictions by Taiwan authorities allowing him to return.

Zhang, who believes he will be able to freely return to the mainland, left Beijing Wednesday morning and will lay over in Hong Kong before returning to Taipei.

## Hong Kong

### Hong Kong: Editorial on Significance of Jiang Handshake

HK2901085696 Hong Kong EASTERN EXPRESS  
in English 29 Jan 96 p 11

[Editorial: "Jiang Zemin's Clasp Says It All"]

[PTS Transcribed Text for FBIS] Hong Kong people were surprised to see Chinese President Jiang Zemin, shaking hands with the shipping tycoon Tung Chee-hwa in Beijing on Friday, after giving a lecture to the newly appointed Preparatory Committee.

Jiang, on leaving the reception hall after his speech, was seen searching for someone, despite his aides' reminder of departure. He spotted Tung — a man of low profile — standing at one end of the front row, and went to shake his hand enthusiastically in front of an envious-looking crowd, including the top businessman Li Ka-shing, and another "dark horse" tipped for the job of the chief executive, Leung Chun-ying.

Had this scene taken place at Whitehall or the White House, it would hardly have been more than a casual gesture of courtesy. But in a place like Beijing, where Chinese leaders are masters of manipulation of body language, such a handshake could have profound connotations. It was rightly interpreted by many a reporter and commentator as a subtle message that speculation about Tung's future has not been misguided. Tung seems to be the man favoured by Beijing, or more precisely, the man who has won Jiang's blessing.

The first official gathering of the Preparatory Committee provided a stage for Jiang to show off his authority. By extending a hand to Tung, Jiang openly cast his vote for the chief executive, in front of 150 Preparatory Committee members and, more ironically, before the selection committee — whose duty is to select the top job [as published] for the territory — is formed. Members of the committee would be expected to know how to respond to Jiang's signal. Hong Kong people can therefore deduce just how much "autonomy" there will be for them after 1997.

Even without Jiang's unsubtle interference, how chief executive candidates are going to be produced will pose a series of questions for the selection committee.

It will be a 400-member body. The body will be divided into eight groups, each consisting of 50 members. Each group will then be required to nominate a candidate for the post, generating a quota of eight nominees. This is a rigid mechanism without the least flexibility. How are committee members going to be divided? How can consensus among group members be reached?

If less than 50 members in a group agree on one candidate but the rest favour another, will they simply be required to hold a mini-ballot to decide upon the candidate for their group? Or will they work out one through "consultation"? Can members themselves be candidates? How much, given the great number of the selection committee's members, will committee membership overlap that of the Preparatory Committee, and the still-to-be-formed provisional legislature?

There have been three "dark horses" for the job so far — apart from Tung, there is Leung Chun-ying and T.S. Lo — all "recommended" by the three vice-directors of the Preparatory Committee, Henry Fok, Ann Tse-kai and Simon Li.

Will Fok, Ann and Li become key members of the selection committee and if not, will selection committee members nominate their own candidates based on their recommendation, and then select Tung anyway, because Jiang has shaken hands with him?

Although the Preparatory Committee has not yet begun to work or the selection committee been formed, there seems to be enough potential for a political farce.

The principles of confidentiality and collective responsibility have not given much confidence to the territory either. The Preparatory Committee is not a government cabinet. Its duty is to form the first special administrative region government and select its first chief executive. To do so it will have to consult widely the opinions of the community. With all members appointed by Beijing and without much transparency, the credibility of the Preparatory Committee remains highly questionable. With 150 members, among whom 94 have had longstanding contacts with Hong Kong reporters, how far the principle of confidentiality can be upheld is also highly doubtful.

It is therefore not surprising that, as elected legislative councillors, the chairman of the Association for Democracy and People's Livelihood, Frederick Fung, and the chairman of the Liberal party, Allen Lee, have both objected to such black-box operational methods and expressed their favour for openness. But they are likely to be disappointed.

Like the now-defunct Preliminary Working Committee, the Preparatory Committee will be a body reflecting mostly business interests. It will have little to do with public opinions.

It is Tung alone who has emerged the winner so far, and he should be congratulated for having been chosen by Jiang with that approving handshake.



**Hong Kong: Zhang Junsheng Outlines Role of XINHUA After 1997**

*HK2601084396 Hong Kong TA KUNG PAO in Chinese 20 Jan 96 p A2*

[Report: "Zhang Junsheng Says XINHUA Agency Hong Kong Branch Is Not an 'Overlord'"]

[PTS Translated Text for FBIS] Zhang Junsheng, deputy director of XINHUA Hong Kong branch, said yesterday (19 January) that the Hong Kong Special Administrative Region [SAR] Government will be established in accordance with stipulations of the Basic Law, adding that there are no stipulations in the Basic Law requiring Hong Kong to have a party committee as is the case with provinces, municipalities, and autonomous regions in the interior.

After attending the ceremony where Zhang Tianbao, deputy minister of the State Education Commission, presented books to Hong Kong Shuren Academy, Zhang was asked what role the director of XINHUA Hong Kong branch will play after 1997 since the existing role of the director is the same as that of a party committee secretary, while Lu Ping said there will be no party committee secretary in Hong Kong after 1997. In reply, Zhang said the Hong Kong SAR Government will be established in accordance with the Basic Law, adding that there are no stipulations in the Basic Law requiring Hong Kong to set up a party committee as is the case with provinces, municipalities, and autonomous regions in the interior.

Concerning the role XINHUA Hong Kong branch will play after 1997, Zhang said: As everyone knows, XINHUA Hong Kong branch is the central government's operational institution in Hong Kong and this has nothing to do with what Lu Ping, director of the Hong Kong and Macao Affairs Office, has said. XINHUA Hong Kong branch is not an "overlord" of Hong Kong Government, nor can it administer the Hong Kong Government. The Hong Kong Government is administered by a governor sent to Hong Kong by Britain, so it is called the British Hong Kong Government. The future SAR Government is a government directly under the central government and it will be established strictly in accordance with the Basic Law.

When responding to a question about remarks made by Raymond Wu Wai-yung, who said those who wish to act as chief executive should come forward to declare their intentions, Zhang said the chief executive for the SAR will be nominated by the 400-member selection committee and then reported to the Central People's Government for appointment. The Preparatory Committee has yet to be established. One of the

important jobs of the Preparatory Committee will be to set up a selection committee and decide on the nominating procedures. It is hard to say now who will be appointed chief executive.

**Hong Kong: Economic Problems of Concern to Hong Kong Reviewed**

*HK2601093296 Hong Kong WEN WEI PO in Chinese 22 Jan 96 p A2*

[Dispatch by staff reporters Liu Zaiming (0491 0961 2494) and Yang Fan (2799 1581) from Beijing on 21 January: "Hong Kong Will Benefit From China's Prosperity; Capital Flight Unlikely—Notes on Visit to Beijing at the Beginning of the Ninth Five-Year Plan (Part 8 of 8)"]

[PTS Translated Text for FBIS] Hong Kong people are concerned about China's economy but more about Hong Kong. So in our notes on a visit to Beijing, we must deal with some problems concerning Hong Kong that are of concern to Hong Kong people.

Some people have asked whether a Mexican-style financial crisis will erupt in Hong Kong before and after Hong Kong returns to Chinese rule. To reply to this question, we can say: Though disputes between China and Britain can hardly be avoided in the transition period, there are, in general, no major problems with Hong Kong's 1997 handover, smooth transition, and economic prosperity. We should be fully confident. This is because the policies of "one country, two systems" and of "Hong Kong people administering Hong Kong" are correct. Strictly enforcing these policies will ensure Hong Kong's smooth transition and continued development.

Then will capital be withdrawn from Hong Kong around 1 July 1997? Naturally this possibility cannot be ruled out. Some people lacking confidence will withdraw funds first, look on from the sidelines for some time, and then return if they find everything is just fine. But we believe capital flight will not be serious. This is because businessmen will lose local markets as they withdraw funds, and it would not be easy to recover their original markets when they return. So businessmen will have to weigh pros and cons before withdrawing funds.

Though heaven does not come under China's macrocontrol, if it does China a favor by promising that China's agriculture will fare better this year, China's economy will prosper considerably and existing difficulties will be overcome. China will prosper further next year because many conditions will be better than this year. Only if Chinese people earnestly put into practice the guideline laid down by the Fifth Plenary Session of the 14th

CPC Central Committee and do their work in a down-to-earth manner will China advance steadily. So, the situation in Hong Kong around 1997 will be rather good, and less capital will be withdrawn. Hong Kong will be a good place to make money next year, so why should people run the risk of leaving?

Given China's strength, Hong Kong will not get into trouble. Should Hong Kong have a fairly big headache, the Chinese government together with Hong Kong compatriots will be capable of curing it. There is no need to worry and we must not be frightened. What matters is that the policy toward Hong Kong must be correct. After 1997, a great influx of immigrants is absolutely prohibited, because this would make a mess of Hong Kong. Hong Kong will still need to preserve its unique, advantageous position. At present, no cities on the mainland (including Shanghai) can replace Hong Kong. In terms of its financial position, Shanghai is superior to other cities on the mainland, but it is not to Hong Kong. Hong Kong's status as an international financial center and free port is irreplaceable. As China's economic situation is getting better and better, Hong Kong's economy will also pick up further. In Hong Kong, housing prices were excessive due to speculation, but they have dropped by 20 to 30 percent. This is not surprising, as booms run in cycles. In short, present difficulties are nothing serious, they will be overcome gradually, and then will come prosperity. The best way for China to support Hong Kong is to effect an upswing in its economy.

The CPC Central Committee's proposal for formulating the Ninth Five-Year Plan and the long-term target for the year 2010 says: To achieve rational distribution of the national economy, it is necessary, in accordance with the law of the market economy, inherent economic relations, and geographical and natural features, to further establish a series of trans-provincial (regional, or municipal) economic regions based not on their administrative divisions but on existing economic patterns and developing around major cities and transport arteries. Will Hong Kong therefore join certain provinces (regions, or municipalities) in the interior to form an economic region?

China's economic regions are separated from administrative divisions. Administrative divisions cannot be adjusted for historical reasons, but an economic region can be established by grouping a number of provinces out of economic considerations, including distribution of key construction projects, exploitation of natural resources, and commodity circulation. As Hong Kong's economy is increasingly inseparable from the mainland's, whether Hong Kong will join certain provinces on the mainland to form an economic region after 1997 to promote eco-

nomic contacts and coordinated economic development will be tabled for discussion sooner or later.

Some people have asked whether Hong Kong's currency will be separated from mainland currency after 1997. The answer is affirmative since the principle of "one country, two systems" will be put into effect. Hong Kong currency will certainly continue to be applicable. Naturally a considerable amount of renminbi will possibly find its way to Hong Kong. In reality, Hong Kong currency is applicable in Guangdong, and so are renminbi in Hong Kong. The renminbi is now very popular in neighboring countries including Vietnam and Burma. Though renminbi will circulate in Hong Kong to a greater extent after 1997, it will not become a principal currency in Hong Kong. The central government is considering limiting the amount of renminbi brought to Hong Kong, for an excessive outflow will do no good.

#### **Hong Kong: Li Lanqing Meets With Hong Kong Executive**

*OW2501155496 Beijing XINHUA in English  
1509 GMT 25 Jan 96*

[FBIS Transcribed Text] Beijing, January 25 (XINHUA) — Chinese Vice-Premier Li Lanqing met here this evening with Mr Run Run Shaw, who is here to attend the first session of the Preparatory Committee of the Hong Kong Special Administrative Region (SAR) to be held tomorrow.

As chairman of Shaw Brothers Ltd, Run Run Shaw has made significant contributions to the field of education in the mainland for years.

During the meeting, Li Lanqing expressed his appreciation and praised his devotion, while acquainting his guest with current conditions in education in parts of the country and with future plans.

Since 1985, Run Run Shaw has donated large sums of money to colleges, high schools, primary schools, normal schools, and professional schools in the interior part of the country.

The money he has donated amounts to 1.06 billion Hong Kong dollars and has been used in 721 projects across the nation.



**Hong Kong: Editorial Urges Promotion of Sino-UK Ties**

*HK2501082196 Hong Kong TA KUNG PAO  
in Chinese 25 Jan 96 p A2*

[Editorial: "Promote Sino-British Relations Through Cooperation on Hong Kong Issue"]

[PTS Translated Text for FBIS] Dr. N. Brian Smith, chairman of the Cable & Wireless Plc of Britain led a delegation to China to seek cooperation in international telecommunications operations. In a meeting with the delegation in Zhongnanhai early this week, China's State President Jiang Zemin said: "We are pleased to see improvement, to some extent, in Sino-British cooperation, especially in cooperation on the issue of Hong Kong, following the visit to Britain by Vice Premier Qian Qichen last October and British Foreign Secretary Malcolm Rifkind's recent visit to China. We hope that such cooperation will be maintained and continue to gain momentum and that on the basis of the Sino-British Joint Declaration in particular, the development in such areas as trade and economy will be promoted through bilateral cooperation on the Hong Kong issue. I think our friends in Britain's trade and economic circles will also have a role to play in this regard."

More than 10 days ago, Rifkind reaffirmed during his visit to China that the British Government's "clear strategic orientation" is to establish "long-term broadly-based bilateral relations" with China. The Chinese leader's statements indicated ways to realize the goals mentioned above.

As both China and Britain are influential countries in the international arena and share common interests in many areas, the two sides have great potential, in terms of both the breadth and protractedness of cooperation. The current international trend stresses giving priority to economy. As a developing country and with the world's largest population, China has set grand construction targets for the next five to 15 years, thus providing considerable opportunities for Sino-Foreign cooperation. Large multinational enterprises like the Cable & Wireless have established business relationships with China and seized opportunities to seek further cooperation. China's stand is clear: It hopes that Sino-British cooperation will be maintained and continue to gain momentum and, through bilateral cooperation on the Hong Kong issue in particular, the development of the trade, economic and other areas will be promoted.

The question of Hong Kong is an exclusive issue to Sino-British relations. Because of this question left over

by history, China and Britain in Asia and Europe respectively cannot avoid handling their bilateral relations. In its relations with China, Britain has one level more than other European Union [EU] member states. As can be seen from the last 18 years of their development, if China and Britain cooperated well on the Hong Kong issue, their relations would develop fairly well in all fields. If not, bilateral relations would be plunged into a difficult state and cooperation in other areas would inevitably be affected. Following the signing of the Sino-British Joint Declaration with regard to the future of Hong Kong in the spirit of mutual understanding and accommodation in 1984, bilateral cooperation reached a new stage. The visit to China by Britain's Queen in October 1986 not only was a great diplomatic event for both countries but also gave a strong impetus to their trade and economic cooperation. Today, among the EU member states, Britain is still the first to be given preference in investment and trade in China, thanks to the favorable conditions created in the past. After that, Sino-British cooperation on the Hong Kong issue began to retrogress for well-known reasons and bilateral relations are not as good as they were before.

In yesterday's meeting with the visiting Minister for Trade and Industry Nelson, [ni er sen 1441 1422 2773] Wu Yi, Chinese Minister of Foreign Economic Relations and Trade, said that after undergoing a difficult period, Sino-British relations had begun to gain relatively good momentum with frequent high-level mutual visits. This is very conducive to the development of trade and economic relations. She expressed hope that China and Britain will maintain good momentum in their relations and create better conditions for trade and economic cooperation.

The Hong Kong issue is in an important position in Sino-British relations and the level of their recent cooperation has drawn attention. In his meeting with Rifkind, Jiang Zemin pointed out that bilateral cooperation over the Hong Kong issue has begun to gain momentum. Yet there are still some problems between them. He stressed that the most important task for the two countries at present is to conscientiously fulfill their respective commitments made in the Joint Declaration in the remaining one and a half years of transition. Through consultation and dialogue, they should resolve outstanding issues as soon as possible in order to create conditions for a smooth transfer of sovereignty over Hong Kong and its transition.

To strengthen cooperation, it is necessary to hold consultation and dialogue which call for elementary mutual trust. If a person makes irresponsible remarks, he can only blame himself for losing the basis of dialogue. For instance, from whatever point of view, it is very

irresponsible to propose granting 3 million Hong Kong people the right of abode in Britain while knowing it well that Britain will definitely not take in a large number of Hong Kong immigrants. Early this month, Premier Li Peng told Rikind face-to-face: Hong Kong's future does not hinge on irresponsible remarks made by a handful of people but on the joint efforts of a broad spectrum of Hong Kong residents.

The Chinese Government has repeatedly stressed that it will unwaveringly implement its principles and policies toward Hong Kong. To maintain the long-term prosperity and stability of Hong Kong is in the interests of all sides. When "ascending a height to enjoy a distant view," farsighted people will be able to see the British interests in both Hong Kong and China before and after 1997. Today, as British officials said Britain has a clear strategic orientation, apart from the political circles, those in the trade and economic fields should also have a role to play in Sino-British cooperation.

#### **Hong Kong: JLG Experts Discuss Budget for Transition**

OW3001154196 Beijing XINHUA in English  
1329 GMT 30 Jan 96

[FBIS Transcribed Text] Hong Kong, January 30 (XINHUA) — Experts of the Sino-British Joint Liaison Group (JLG) meet here today to hold the 6th round of talks on the preparation of Hong Kong's budget for the transition period.

At a news briefing after the meeting, Chen Zuoer, Chinese JLG representative, said that the Chinese side has put forward to the British side reasonable suggestions concerning Hong Kong's financial budget for the year of 1997-98.

He said that the Chinese side expects positive response from the British side, adding that he hopes the two sides will reach consensus before the drafting of the 1997-98 budget starts two months later.

Chen said that Hong Kong will witness a great historical change in the financial year of 1997-98 and the drafting and implementing of Hong Kong's 1997-98 budget have particular significance.

The drafting of the 1997-98 budget must be undertaken in a period when the British Government still exercises its rule over Hong Kong, but the Government of Hong Kong Special Administrative Region (HK SAR) will have to implement the budget in 75 percent of the financial year, he said.

In April 1996 when the 1997-98 budget is drafted, there will be neither HK SAR's leadership nor chief executive. In this case, the central government of China

is duty-bound to represent future HK SAR's government to participate in the drafting of the budget, he said.

He noted that the role of the Chinese side in the drafting of Hong Kong's 1997-98 budget will be greatly different from that in the drafting of Hong Kong's 1996-97 budget.

After 1997, the drafting and implementing of Hong Kong's budget will be totally done by the HK SAR Government and the central government of China will not be involved in the work, he said.

The JLG expert meeting on budget will end on Thursday.

#### **Hong Kong: Commentary on Inauguration of Preparatory Committee**

HK2901073496 Beijing CHINA DAILY in English  
27 Jan 96 p 4

[CHINA DAILY Commentary: "A New HK Committee"]

[PTS Transcribed Text for FBIS] The Preparatory Committee for the Hong Kong Special Administrative Region (SAR) was inaugurated and began its first plenary session in Beijing yesterday.

The event indicates that China's resumption of the exercise of sovereignty over Hong Kong is entering a substantive stage.

The Preparatory Committee was founded in accordance with the Basic Law as well as a decision of the National People's Congress (NPC) on the first government and Legislative Council of the Hong Kong SAR.

A working institution of the NPC, it has full power over preparatory work for the Hong Kong SAR.

It will make rules for and preside over organization of the SAR's first legislative, administrative and judicial organs.

The 150-strong Preparatory Committee includes 94 permanent residents of Hong Kong, representing all walks of life.

Composition of the committee itself reflects extensive participation of Hong Kong people in moulding the future of the SAR.

"Hong Kong people governing Hong Kong" is a set guideline of the Chinese Government. It is based on and embodies the "one country, two systems" principle.

Full communication with the local community is a precondition to forming a popular government and public policies.



As the preparatory work for the Hong Kong SAR proceeds, the Hong Kong people will have an increasingly significant role to play.

The Preparatory Committee will organize a special committee responsible for recommending and electing the first SAR government.

Only Hong Kong residents are eligible to be the 400 members of the special committee.

The local government will be composed wholly of local residents.

In regard to the Hong Kong issue, the Chinese Government adheres to the principles of "taking ourselves as the main stay" and "depending on the Hong Kong people."

AB President Jiang Zemin says, China is fully confident of its own ability to ensure the smooth transfer and future prosperity of Hong Kong.

China has never pinned hopes on others over this issue.

But that does not exclude co-operation with the British side on the basis of the 1984 Sino-British Joint Declaration.

Sino-British relations and the transition of Hong Kong have encountered a lot of difficulties in the past few years.

This is entirely due to lack of co-operation on the British side.

However, a non-co-operative attitude on the British side will not only harm the smooth transition of Hong Kong. It hurts British interests as well.

During recent talks between the Chinese foreign minister and the British foreign secretary, the British side expressed willingness to return to the track of co-operation.

Even the British Hong Kong Governor pledged to act in Hong Kong's best interests.

It is manifest that Hong Kong's best interests lie in the region's long-term stability and prosperity.

That is just what the Chinese Government is striving for.

We hope that the avowals of sincere cooperation as expressed by the British side will be honoured in concrete actions.

However, come what may, time for the British rule of Hong Kong is irretrievably running out.

The Preparatory Committee undertakes the historic mission to form a government in the best interests

of the future SAR. The next more than 500 days will be decisive for the smooth transition of Hong Kong. Everybody who hopes to maintain a stable and prosperous Hong Kong is expected to help with the work of the Preparatory Committee.

#### **Hong Kong: Commentary Hails Preparatory Committee**

OW2901140796 Beijing XINHUA Hong Kong Service in Chinese 0152 GMT 25 Jan 96

[Commentary by unidentified XINHUA reporter: "A Major Event of Far-Reaching Significance — Commenting on the Hong Kong Special Administrative Region Preparatory Committee's Establishment"]

[FBIS Translated Text] Beijing, 25 Jan (XINHUA) — The Hong Kong Special Administrative Region [HKSAR] Preparatory Committee, which the people have long anticipated, will soon be established. This is a major event of far-reaching historical significance during the latter period of Hong Kong's transition. It marks the official beginning of a stage of concrete preparatory work in connection with the HKSAR's founding. China's resumption of the exercise of sovereignty over Hong Kong is not far off.

The Preparatory Committee's establishment is a major step taken by the Chinese Government, in accordance with a decision the National People's Congress [NPC] adopted on 4 April 1990, at a time when Hong Kong's 1997 reversion is drawing near. In addition to preparing for China's resumption of the exercise of sovereignty over Hong Kong, the committee's mission will be to lay a solid foundation for implementing the one China, two systems principle; for allowing the Hong Kong people to govern Hong Kong with a high degree of autonomy; and for maintaining Hong Kong's stability and prosperity. For this reason, the Preparatory Committee's establishment is a milestone during the process of returning Hong Kong to the motherland.

Following the Preparatory Committee's establishment, substantial preparatory work for the HKSAR's founding will begin at full speed. Unlike its Preliminary Working Committee [PWC], the Preparatory Committee is an organ of power whose establishment was authorized by the NPC. While its work will cover a wide range of areas, its main task is to prepare for the formation of the first HKSAR Government, legislature, and judiciary in accordance with the provisions in the Basic Law and the relevant NPC decision. A chief executive is expected to be nominated during the latter half of this year. The chief executive will then nominate key HKSAR Government officials, who will be appointed by the central people's government. Moreover, the Preparatory

Committee will study the 46 ideas and suggestions the PWC has forwarded and make a final decision. It will also carry out folk activities to celebrate the reversion in 1997.

A multitude of tasks have to be carried out since the transfer of political power and preparations for the HKSAR's founding involve political, economic, legal, and cultural issues. Nonetheless, the stand, principles, and policies adopted by the Chinese Government to solve the Hong Kong issue are firm and unshakable. The one country, two systems principle is the Chinese Government's policy of fundamental importance for solving the Hong Kong issue, as well as a basic principle for completing the great cause of reunifying the motherland; it is by no means an expedient measure. The Preparatory Committee will observe the one country, two systems principle throughout its work. The signing of the Sino-British Joint Declaration, the formulation of the Basic Law, and the PWC's work laid a solid foundation for the application of the one country, two systems principle to the Hong Kong issue. With a lofty sense of historical responsibility and a down-to-earth, earnest, and responsible work attitude, the Preparatory Committee will apply principles and policies that reflect the one country, two systems concept to its concrete work and implement each of them to the letter.

In working to solve the Hong Kong issue, we also need to uphold the principle of making ourselves the dominant party [yi wo wei zhu 0110 2053 3634 0031]. To uphold this principle is to observe the Sino-British Joint Declaration and the Basic Law and to ensure the transfer of political power and a smooth transition. Central leaders have repeatedly stressed the need to uphold the principle of making ourselves the dominant party in handling the Hong Kong issue. President Jiang Zemin explicitly pointed out: We should rely on ourselves to ensure Hong Kong's smooth transition. We have never pinned our hopes for Hong Kong's prosperity on other people. Three years ago, the British created all sorts of trouble regarding the Hong Kong issue, which affected Sino-British cooperation. Through its timely establishment and effective operations, the PWC did plenty of the earlier preparatory work in connection with the HKSAR's founding and maintained the lead in this respect. In carrying out its work in the future, the Preparatory Committee will continue proceeding from self-reliance. Only by doing so can it always maintain the lead in its work and do a better job preparing for Hong Kong's reversion.

Relying on and catering to the Hong Kong people is an important principle that the Chinese Government has long upheld in handling the Hong Kong issue. Specifically, the PWC's work over the past two years or

so shows that more often than not, our policy decisions would be more attuned to Hong Kong's reality and enjoyed the support of Hong Kong compatriots if we had had better communications with the Hong Kong people, fully listened to the views of people from all social sectors in Hong Kong, and drew on collective wisdom. We believe that this principle still needs to be implemented steadfastly in the Preparatory Committee's work.

Special mention should be made of the fact that the Preparatory Committee's establishment itself shows the central government's firm resolve to let the Hong Kong people govern Hong Kong. During his recent meeting with Li Ka-shing and other Hong Kong notables, Premier Li Peng pointed out: The Preparatory Committee's establishment was determined after fully deliberating and considering various factors and the representativeness of various quarters. Of the Preparatory Committee's 150 members, 94 come from Hong Kong, representing 63 percent of the total membership and more than the NPC-set minimum figure of 50 percent. These Hong Kong members include the best people from all walks of life in Hong Kong, and they are widely representative. Through various channels, they will establish contacts with various mass organizations, sectors, and social strata in Hong Kong; listen to a wide range of views; and jointly do a solid, thorough, and meticulous job of preparing for the HKSAR Government's formation so that the interests of the majority of Hong Kong people will be served.

The Preparatory Committee's process of preparing for the HKSAR's founding is also one of encouraging and organizing the Hong Kong people to take part in and show concern for Hong Kong affairs. Relying only on the Preparatory Committee's 150 members would not suffice if we were to achieve a smooth transfer of political power in Hong Kong. Following the Preparatory Committee's establishment, preparations for the HKSAR's founding are entering the final crucial stage. Hong Kong compatriots will have more opportunities for participating more extensively in work during the latter stage of transition, and Hong Kong people will get more deeply involved.

The Chinese hope to cooperate with the British while upholding the working principle of catering to and relying on the Hong Kong people and making ourselves the dominant party. During his visit to London last October, Qian Qichen, vice premier of the State Council and foreign minister, reached a four-point consensus with the British. Early this year, British Foreign Secretary Ruskind visited Beijing, and the two sides reached several agreements and understandings. Both visits were fruitful and helped further bilateral cooperation.



People have noticed that after the list of Preparatory Committee members was released, the British Hong Kong authorities said they were looking forward to working with the committee. Their words should be matched with actions. It is hoped that the British Hong Kong authorities will take concrete actions and sincerely cooperate with the Preparatory Committee in handling the Hong Kong issue so as to ensure a smooth transition in Hong Kong. This conforms to the interests of all parties.

The smooth transfer of political power and the maintenance of long-term prosperity and stability in Hong Kong are the common aspirations of all Chinese people, including the 6-million-plus people of Hong Kong. People believe that Hong Kong will have an even better future as long as we uphold the one country, two systems principle and implement the Basic Law in our future preparations for the HKSAR's founding.

**Hong Kong: Establishment of HKSAR Preparatory Committee Hailed**

OW2601154396 Beijing XINHUA in English  
1524 GMT 26 Jan 96

["Roundup" by Li Huailin: "HK SAR Preparatory Committee Hailed in Hong Kong"]

[FBIS Transcribed Text] Hong Kong, January 26 (XINHUA) — Organizations and associations in Hong Kong as well as the local media today hailed the establishment in Beijing of the Preparatory Committee of the Hong Kong Special Administrative Region (HK SAR).

A total of 102 associations of fellow provincials of Guangdong origin, 74 associations of people of Fujian origin and 67 Kowloon-based organizations or societies today sent congratulatory messages to Beijing on the occasion of the establishment of the HK SAR Preparatory Committee.

In their messages, the associations noted that the founding of the committee is an historical event in the critical period in Hong Kong's transition.

They expressed their full support for the work of the Preparatory Committee and said that they will play an active part in the maintenance of Hong Kong's prosperity and stability in the coming years.

Meanwhile, some local newspapers today devoted special pages to the establishment of the HK SAR Preparatory Committee.

"WEN WEI PO" said in an editorial that the work of the HK SAR Preparatory Committee will bring about favorable effects not only on Hong Kong's long-term

prosperity and stability, but also on the reunification of China.

It said that the committee will certainly live up to the expectations of the Chinese people and succeed in its great mission of implementing the principle of "one country, two systems."

The editorial of "TA KUNG PAO" said the HK SAR Preparatory Committee will adhere to the principle of "taking ourselves as the mainstay" in maintaining Hong Kong's smooth transition.

It said the HK SAR Preparatory Committee will open various channels to cater to the Hong Kong people and rely on them in its work.

Hong Kong's COMMERCIAL DAILY noted in a commentary that the committee is broad-based in society and is well represented in all circles in Hong Kong.

It said that the committee will do solid work in the preparations for the establishment of the Hong Kong SAR in line with the Basic Law and the interests of the overwhelming people in the territory.

According to TIN TIN DAILY NEWS' editorial, the establishment of the Preparatory Committee of the HK SAR marked the beginning of the end of more than 150 years of colonial rule in Hong Kong.

It said that all patriotic people in Hong Kong should go all out to support the committee for the sake of Hong Kong's smooth transition and its prosperity and stability.

**Hong Kong: HKSAR Preparatory Committee Celebrated**

OW2701153896 Beijing XINHUA in English  
1448 GMT 27 Jan 96

[FBIS Transcribed Text] Hong Kong, January 27 (XINHUA) — An evening party was held here today to celebrate the establishment of the Preparatory Committee of the Hong Kong Special Administrative Region (HK SAR).

The party was jointly sponsored by the Chinese General Chamber of Commerce, the Chinese Manufacturers' Association of Hong Kong, the Hong Kong General Chamber of Commerce, and six other large local economic and social associations.

In his opening address, Ip Yeuk-lam, vice-chairman of the Chinese General Chamber of Commerce, said the establishment of the HK SAR Preparatory Committee marks the beginning of the concrete preparations for the founding of the SAR.

He said that on the principle of "one country, two systems" and the Basic Law, the preparatory committee

will fulfill its historical tasks and contribute to Hong Kong's smooth transition and the reunification of the motherland.

About 20 items of theatrical performances were presented to local audience, including solo "China, I love you", Hong Kong dance "Morning, I love Bauhinia" and Chinese ethnic and foreign folk Songs and dances.

#### **Hong Kong: Member Discusses Work of Preparatory Committee**

*OW2901140696 Beijing XINHUA Domestic Service in Chinese 0125 GMT 29 Jan 96*

[By reporter Wu Ming (0702 2494), from the "Interviews With Preparatory Committee Members Special Column"]

[FBIS Translated Text] Hong Kong, 29 Jan (XINHUA) — "To realize the smooth handing over and smooth transition of Hong Kong, there is a great deal of work to do. I hope that the Hong Kong Government and people in various circles in Hong Kong will actively cooperate with the special region Preparatory Committee, coordinate with it in its work, and make concerted efforts for the smooth establishment and normal operation of the future special administrative region (SAR)." This is what Wu Chia-wei said about the Preparatory Committee during an interview with this reporter not long ago. Wu is a member of the Hong Kong SAR Preparatory Committee and president of Hong Kong Science and Technology University.

Wu Chia-wei said that according to the provisions of the Basic Law, the Preparatory Committee's major work is to prepare for and establish the first government, legislative, and judicial organs of the future Hong Kong SAR. This means the work in handing over political power should be the most urgent thing the Preparatory Committee should consider. At present, there are only about 500 days to 1 July 1997 and time is pressing. However, such work has very great significance to the smooth transition in Hong Kong. Therefore, as a Preparatory Committee member, I will reflect views and proposals of the professional circles and do my best to carry out the Preparatory Committee's work.

Being a Preparatory Committee member from the professional circles, Wu Chia-wei held that, viewed from the angle of ensuring Hong Kong's long-term development, prosperity, and stability, the Preparatory Committee and the future SAR government have to face numerous tasks, including the consideration of a series of issues related to the economy, society, education, science and technology, and culture; for example, how to earnestly strengthen education and the training of qualified personnel, how to attach importance to the role of

science and technology in economic development, how to intensify civic education, and so on. He said that, of course, all this falls within the scope of a high degree of autonomy of the future SAR, but committee members from education and science and technology circles may forward proposals to the future SAR government and fulfill their duties as Hong Kong residents.

Wu Chia-wei also said that the Hong Kong Government should cooperate with the Preparatory Committee in its work. He said that among Preparatory Committee members, many are members of various Hong Kong Government advisory organs and have, for a long time, been providing advisory service for the Hong Kong Government and making efforts to solve problems related to Hong Kong's development; and in contacts with some Hong Kong officials, many officials have also expressed their willingness to properly cooperate with the Preparatory Committee. He was optimistic about this.

Wu Chia-wei specially mentioned that the Preparatory Committee needs a good public opinion and cooperation environment. While the Preliminary Working Committee was carrying out its work over the past two years, some people constantly distorted the committee members' views, and denounced and slandered the members. They have again started spreading prejudice against the committee. This is harmful to maintaining the Hong Kong residents' confidence and to promoting cooperation between the Hong Kong Government and the Preparatory Committee. He expressed his hope that the Preparatory Committee will be treated positively, objectively, and fairly and that more constructive work will be done to realize Hong Kong's smooth transition. This should be the will of the great majority of Hong Kong residents.

#### **Hong Kong: Preparatory Committee Member on Post-1997 Hong Kong**

*OW3001011596 Beijing XINHUA Domestic Service in Chinese 0231 GMT 24 Jan 96*

[Article by XINHUA reporter Fang Jin (2455 3866): "Exert Utmost Efforts for a More Prosperous Hong Kong — Interviewing Jing Shuping, member of the Hong Kong Special Administrative Region Preparatory Committee"]

[FBIS Translated Text] Beijing, 24 Jan (XINHUA) — "Hong Kong's economic development will be guaranteed. After Hong Kong is returned to the motherland, Hong Kong and inland China not only must coexist, but also must develop together." This was stated by Jing Shuping, member of the Hong Kong Special Administrative Region [HKSAR] Preparatory Committee



and chairman of the All-China Federation of Industry and Commerce [ACFIC], during a recent interview. He said in the interview that he is fully confident that Hong Kong will maintain its prosperity after it becomes a special administrative region.

As the principal person in charge of the ACFIC, Jing Shuping worked for the HKSAR Preparatory Committee Preliminary Working Committee from beginning to end. He now feels he shoulders a greater mission and has greater responsibilities to bear since he was appointed a member of the HKSAR Preparatory Committee. Jing Shuping said the founding of the HKSAR Preparatory Committee indicated that China will soon reinstate its sovereignty over Hong Kong. He added that he would be actively involved in the preparatory committee's operations, and do his utmost for Hong Kong's steady economic development.

Jing Shuping said: The "one country, two systems" policy for Hong Kong shows the central government's respect for Hong Kong's history and realities, as well as the Chinese Government's trust for the countrymen in Hong Kong. The policy of retaining Hong Kong's capitalist system and way of living after 1997 is meant for maintaining Hong Kong's prosperity and steady economic development as an international financial, trade, and shipping center. Economic development must be the main goal of Hong Kong as an economic city. People within Hong Kong's economic circles are duty-bound to maintain Hong Kong's economic prosperity and growth. Many of the HKSAR Preparatory Committee members are business leaders, financiers, and economists, as well as ACFIC Standing Committee members. Because of this arrangement — which is in line with the actual situation that Hong Kong is an economic center — the central government can fully and broadly hear these business figures' views and responses. Jing Shuping said: The overwhelming majority of people within Hong Kong's economic circles are patriots who also love Hong Kong. They are professionals who understand Hong Kong's economic operations. Giving full scope to their wisdom, experience and influence, and rallying even more Hong Kong people to work for the preparatory committee have resulted in a strong foundation for achieving Hong Kong's stable transition, and realizing the great concept of "one country, two systems."

Jing Shuping was upbeat about the HKSAR's economic future after it is founded. He said skepticism toward Hong Kong's economic development is unfounded. Jing Shuping, a well-known business and international financial expert, then analyzed Hong Kong's own strength, the power behind its economic development, and inland China's support in terms of policies. He said: First

of all, Hong Kong has a free and open environment for investment, a relatively stable currency, and fully developed market mechanisms, as well as a relatively sound legal system. This economic system which is in line with Hong Kong economic development is safeguarded by the law because it has been prescribed in the Hong Kong Basic Law. Second, China's deep-going reforms, opening up projects, and booming economic development have become the most direct and most powerful force driving Hong Kong's economic and financial development. As China implements its Ninth Five-Year Plan and the 2010 long-range target, China's economic development will reach another level and Hong Kong will certainly benefit from it. Consequently, Hong Kong and inland China will enjoy mutual prosperity and development. Seen from the viewpoint of the global economy, Hong Kong will continue to be a competitive, full of vitality.

Jing Shuping maintained that, during Hong Kong's latter-stage transition period, people in Hong Kong should actively take part in activities beneficial for Hong Kong's stable transition. He said: Historical experiences and lessons show that the economy of any country or region will cease to develop if it is beset with social instability or political unrest. This being the case, people in Hong Kong must object to anything which may lead to social instability in Hong Kong.

In about 500 days or so, Hong Kong will cease to be a place subjected to colonial rule, and all Chinese people in the world are looking forward to this day. Jing Shuping said he is fortunate and proud to be a witness and participant of this historical event. He said he is convinced that Hong Kong will have an even brighter future.

#### **Hong Kong: Editorial Views Tasks of Preparatory Committee**

*HK3001091396 Hong Kong EASTERN EXPRESS  
in English 30 Jan 96 p 11*

[Editorial: "PC's Task To Build Up Credibility"]

[PTS Transcribed Text for FBIS] Now that they have been solemnly invested at a ceremony at the Great Hall of the People in Beijing, the members of the Preparatory Committee have to begin their task.

They are charged with a duty which is both historic and unique.

They have it in their power to directly influence the future of Hong Kong, and its 6 million inhabitants for the next 50 years. It is a heavy responsibility to be placed on so few shoulders.

Of the 148 members, 94 are Hong Kong people, and it is they who will be called upon to answer to their fellow citizens if they do not keep faith with the aspirations of the general public.

Until the last three years, Hong Kong has been governed by the British as a colony on an executive-led system. Before the Governor Chris Patten, overturned the old practice and introduced his democratic reforms, the Legislative Council was little more than a rubber stamp committee.

Now, temporarily at least, the Government is led by its legislative assembly, and since it has had such a brief space of time in which to prove itself, it is difficult to judge how well the legislative councillors have performed.

China has tried to slow down the process from the start because, in spite of the pledge of "one country, two systems", Beijing prefers to run Hong Kong as a colony, in the same way as the British ruled it for almost 150 years.

Beijing is firmly of the view that an executive-led government will be more effective, and the Preparatory Committee may be China's first sign that it intends to return to that system.

One of the prime indicators of that is in the composition of the Preparatory Committee. Its Hong Kong members are mainly businessmen or professionals, and they could hardly be said to represent a complete cross-section of the community. For that reason, the first priority for PC members is to reassure the people that they are aware of their concerns.

If China does intend to take up where the British left off in colonial government, the committee might do well to recall the methods by which this system was operated. Power may have rested with a few executive councillors, but they did not act alone. Over the years, the Hong Kong Government built up a reliable system of advisory committees who were consulted on all serious issues before permanent decisions were taken.

About 400 "think tanks" of one kind or another tendered informed opinions and professional advice. The people consulted came from all walks of life, and represented all shades of opinion. Their detailed reports would be thoroughly studied and the points they raised given careful consideration during the formative period before any new legislation was introduced.

The system of introducing legislation as an evolving process, with White Papers and Green Papers, each discussed, debated and amended before a final decision, is a sound one. It allows for every weakness to be identified, and all sides of the question to be examined: helping to ensure that mistakes and misjudgements have been eliminated before the ultimate action is agreed upon.

Under Patten's governorship, the emphasis has rested on the promise of open government. This has not always been forthcoming, but the failures to live up to the promise have been few, and the people have been reassured by the system, and have come to rely on it.

The Preparatory Committee has a different brief. It is bound by confidentiality and collective responsibility. This can so easily come to look as secrecy, and where there is secrecy there is suspicion. The last thing that this vital committee can afford is to be regarded with suspicion. Each day that goes by makes it more crucial to restore the flagging confidence of the populace, to reassure them that those responsible for their future are totally committed to their welfare.

If, despite the strictures under which they have to work, the committee can establish a consultative mechanism before making any decision, the move would go a long way to reassuring the public that their views are taken into account.

One hundred and fifty people, no matter how wise, learned, sympathetic, powerful or informed, cannot effectively shape policy on their own. We do not suggest that men like Li Ka-shing or Henry Fok should go walkabout in the temporary housing areas or the busy shopping areas, canvassing passers-by for their opinions, but we do suggest that their busy lives and the burdens of responsibility they carry necessarily cut some of the membership of the committee off from the mainstream of life and the concerns of ordinary people.

The way to circumvent that problem is to set up their own consultative — committees, composed of whichever experts the question requires. People will know then that other voices are heard, and other counsel sought. That is the quickest and most effective way to build up trust and credibility.



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1 Feb. 96



